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February 14, 2022

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, Texas 78701

Re: Docket # 52709 Item # 12 Filing of the Bond Purchase Agreement related
to the Texas Stabilization M Bonds, Series 2021.

Dear Filing Clerk:

Item #12 was inadvertently filed with Exhibit C Closing Instructions attached. We are re-filing the Bond Purchase Agreement without Exhibit C attached. It is our understanding that once you receive this current filing, Item #12 will be removed and no longer available on the PUC Exchange.

Thank you.

Kind regards,

/s/ Kacie M. Byrd

Kacie M. Byrd

KMB:jd
Enclosure

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February 10, 2022

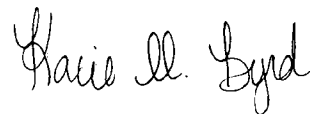
Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, Texas 78701

Re: Docket # 52709 Filing of the Bond Purchase Agreement related to the
Texas Stabilization M Bonds, Series 2021.

Dear Filing Clerk:

Pursuant to Ordering Paragraph No. 33A of the Final Debt Obligation Order approved by the Public Utility Commission of Texas on October 13, 2021, please find attached the Bond Purchase Agreement by and between the Texas Treasury Safekeeping Trust Company, ERCOT and Texas Electric Market Stabilization Funding M LLC, dated as of November 12, 2021.

Kind regards,



Kacie M. Byrd

KMB:jd
Enclosure

Texas Electric Market Stabilization Funding M LLC

\$800,000,000

Texas Stabilization M Bonds, Series 2021

BOND PURCHASE AGREEMENT

Dated: November 12, 2021

SCHEDULES, EXHIBITS AND ANNEXES

SCHEDULE A — DEFINED TERMS

SCHEDULE B — INFORMATION RELATING TO PURCHASER

SCHEDULE 1.5 — INDEX OF DISCLOSURE DOCUMENTS

SCHEDULE 2.2 — INDEX OF CLOSING DOCUMENTS

ANNEX A — SECTION 552.0225 of the TPIA

ANNEX B - SECTION 552.143 of the TPIA

EXHIBIT A — INVESTMENT CONSIDERATIONS

EXHIBIT B — EXPECTED AMORTIZATION SCHEDULE

EXHIBIT C — CLOSING MEMORANDUM

November 12, 2021

Texas Electric Market Stabilization Funding M LLC and
Electric Reliability Council of Texas, Inc.

Re: Texas Stabilization M Bonds, Series 2021

Ladies and Gentlemen:

The Texas Comptroller of Public Accounts (the "**Comptroller**") is an executive branch agency of the state of Texas created pursuant to the Texas Constitution. The Comptroller incorporated, and is the sole shareholder of, the Texas Treasury Safekeeping Trust Company ("**TTSTC**"), as a special purpose trust company under Government Code, Chapter 404, Subchapter G to manage, disburse, transfer, safekeep and invest funds belonging to the state of Texas. The Comptroller, acting by and through TTSTC, shall be referred to as "**TTSTC**" or the "**Purchaser**."

Under the terms of Government Code, Section 404.0241(b-1) and Utility Code, Chapter 39, Subchapter M, the Comptroller is directed to invest up to \$800 million in economic stabilization funds to finance the Winter Storm Uri default balance as defined by Section 39.602, Utilities Code, to be repaid by ERCOT market participants through default charges established by the Public Utility Commission of Texas."

The Electric Reliability Council of Texas, Inc. ("**ERCOT**") is a nonprofit corporation described in Section 501(c)(4) of the Code to manage the flow of electric power to more than 26 million Texas consumers through an interconnected transmission and distribution grid which covers approximately 75% of the land area of the state of Texas and provides service to approximately 90% of the electric load in the state of Texas. ERCOT is governed by its Board of Directors whose composition is mandated by Texas Utilities Code Section 39.151(g-1). ERCOT is subject to oversight by the Public Utility Commission of Texas (the "**PUCT**") and the Texas Legislature. (References to "**ERCOT**" in this Agreement shall include each of its capacities under the Securitization Documents, including as Administrator, Sponsor, Servicer and Seller, as hereinafter defined.)

Texas Electric Market Stabilization Funding M LLC (the "**Issuer**" and, together with ERCOT, the "**ERCOT Parties**" or each an "**ERCOT Party**") is a Delaware limited liability company, organized by ERCOT for the purpose of issuing debt obligations authorized by one or more debt obligation orders of the PUCT pursuant to Subchapter M of Chapter 39 of the Texas Utilities Code. ERCOT is the sole member of the Issuer.

Certain capitalized and other terms used in this Agreement are defined in Schedule A; capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Indenture. References to a "**Schedule**" are references to a Schedule attached to this Agreement unless

otherwise specified. References to a "**Section**" are references to a Section of this Agreement unless otherwise specified.

This Agreement is being entered into among the ERCOT Parties, the Comptroller and the Purchaser as of the date first set forth above (the "**Effective Date**") to evidence the sale and delivery by the Issuer to the Purchaser of the Issuer's \$800,000,000 principal amount of Texas Stabilization M Bonds, Series 2021 (the "**Bonds**").

ACCORDINGLY, in consideration of the foregoing premises and the mutual representations, warranties, and agreements set forth herein, the Parties hereby agree as follows:

SECTION 1. AUTHORIZATION OF BONDS.

Section 1.1. Authorization of Bonds and Transaction Documents. Pursuant to Subchapter M of Chapter 39 of the Texas Utilities Code, the PUCT and the ERCOT Parties have authorized the Issuer's issuance and sale of up to \$800,000,000.00 principal amount of Bonds under an indenture (the "**Indenture**") and series supplement for the Bonds (the "**Series Supplement**"), each dated as of the Closing Date by and between the Issuer, as issuer, and U.S. Bank National Association, as Indenture Trustee (the "**Indenture Trustee**").

The Bonds are the senior secured obligations of the Issuer and will be supported by default property (the "**Default Property**") more fully described in the debt obligation order (the "**Debt Obligation Order**") issued on October 13, 2021 by the PUCT relating to the Bonds, which are being sold to the Issuer by ERCOT pursuant to the Default Property Purchase and Sale Agreement, to be dated on the Closing Date, between ERCOT and the Issuer (the "**Sale Agreement**"). The Default Property securing the Bonds will be serviced pursuant to the Default Property Servicing Agreement, to be dated on the Closing Date between ERCOT, as servicer, and the Issuer, as owner of the Default Property sold to it pursuant to the Sale Agreement (the "**Servicing Agreement**"). ERCOT will also provide certain services in support of the Issuer pursuant to the Administration Agreement between ERCOT, as administrator ("**Administrator**"), and the Issuer dated as of the Closing Date (the "**Administration Agreement**"). This Agreement, the Indenture, the Sale Agreement, the Servicing Agreement and the Administration Agreement, are referred to herein collectively as the "**Securitization Documents**."

To facilitate the Purchaser's due diligence and purchase of the Bonds in a private placement, ERCOT has provided its full cooperation and assistance to Purchaser in the performance of its due diligence with respect to the Bonds before closing as set out in Section 1.5 herein. The ERCOT Parties have furnished said due diligence cooperation and assistance to Purchaser for purposes of the purchase by Purchaser of the Bonds in a private placement.

Section 1.2. Terms of the Bonds; Initial Interest Rate. The Bonds are being issued and sold to the Purchaser pursuant to and in accordance with the Indenture and Series Supplement, including, without limitation, the terms relating to the optional redemption of the Bonds, restrictions on the subsequent sale or transfer of the Bonds, and other features as more fully described therein. Upon Closing, the Bonds will be initially registered in book-entry form with the Depository Trust Company ("**DTC**") (who shall serve as the Clearing Agency for the Series 2021 Bonds), and the Issuer will cause the Bonds to be delivered to the Purchaser through DTC.

The Bonds are being issued substantially in the form set out in Exhibit A of the Series Supplement, and bearing an initial fixed rate of interest of 2.97% (the "**Initial Interest Rate**"), payable on each Payment Date in accordance with the terms of the Series Supplement and Indenture, and having a final maturity date of August 1, 2051. Principal payments on the Bonds will be made on each Payment Date in accordance with the terms of the Series Supplement and Indenture, in the amount specified in the Expected Amortization Schedule set forth on Exhibit B attached hereto (the "**Expected Amortization Schedule**") for such Payment Date until the Outstanding Amount of the Series 2021 Bonds has been reduced to zero.

The Initial Interest Rate on the Bonds has been determined pursuant to Government Code Section 404.0241(b-1), by calculating the rate equal to the sum of (i) the three-year Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3 (the "**Index**") based corresponding to "Electric Ins" based on the nearest remaining weighted average life of the Bond, and based on ERCOT's composite credit rating of "A+", plus (ii) 2.50%. The reset interest rate on the Bonds will be calculated on the third anniversary of the Closing Date in accordance with the terms of the Series Supplement, and in keeping with Government Code Section 404.0241(b-1). The reset interest rate will be effective February 1, 2025.

Section 1.3. Sale and Purchase of Default Property. At Closing, pursuant to the Sale Agreement, ERCOT, as Seller, will transfer to the Issuer the Default Property and other property related thereto in exchange for cash in the amount of \$800,000,000.00, which the parties agree and acknowledge is the fair market value of the Default Property. The Default Property will be pledged as collateral for the Bonds pursuant to the Indenture and the Series Supplement.

Section 1.4. Reserved.

Section 1.5. Due Diligence Assistance and Cooperation. Prior to the date hereof, ERCOT has provided the documentation and disclosures enumerated in Schedule 1.5 hereto to the Purchaser in order to assist the Purchaser in the performance of its due diligence with respect to the Bonds. Additionally, the ERCOT Parties and their representatives have prepared the "Investment Considerations for the Purchase of the Series 2021 Bonds" attached hereto as Exhibit A (the "**Investment Considerations**"), which sets forth the relevant risks and investment considerations as ERCOT Parties and their representatives have deemed to be material to an evaluation of the Bonds. The documentation and disclosures enumerated in Schedule 1.5, together with the Investment Considerations are referred to herein collectively as the "**Disclosure Documents**".

SECTION 2. SALE AND PURCHASE OF BONDS; USE OF PROCEEDS.

Section 2.1. Sale and Purchase of Bonds. On the basis of the representations, warranties and agreements herein contained, the Issuer does hereby agree to issue and sell the Bonds to the Purchaser, the Purchaser does hereby agree to purchase the Bonds from the Issuer, at the purchase price of \$800,000,000.00, being 100% of the principal amount thereof (the "**Purchase Price**"). Such sale shall occur via electronic mail at a closing (the "**Closing**"), not later than 2:00 p.m., Austin, Texas time on the Effective Date hereof, or such later date as may be mutually agreed upon by the parties (the "**Closing Date**").

Section 2.2. Delivery of Closing Documents. The Parties have caused the documents, agreements and opinions of counsel identified in Schedule 2.2 attached hereto (the "**Closing**

Documents") to be delivered into an electronic data room prepared by Winstead PC, counsel to ERCOT. Any signed counterparts of the Closing Documents delivered prior to Closing shall remain in escrow and shall not be released until Closing has occurred.

Section 2.3. Closing.

(a) *Delivery of Global Bond.* The Issuer has caused one or more global bonds to be delivered to the Indenture Trustee in the form set forth in Exhibit A to the Series Supplement in the aggregate original principal amount of \$800,000,000.00, numbered consecutively, beginning with "R-1" (the "**Global Bonds**"). The Placement Agent and the Trustee will call DTC to release the bonds to the Placement Agent, who will deliver the Bonds to the Purchaser's DTC Account. The Global Bonds shall be registered in the name of Cede & Co., as nominee of DTC, who shall serve as the Clearing Agency for the Series 2021 Bonds. The Global Bonds shall be dated as of the Closing Date, which shall be the authentication date and date of delivery of the Bonds.

(b) *Delivery of Purchase Price.* The Purchaser will transfer or cause the transfer an amount equal to the Purchase Price to the Indenture Trustee in immediately available funds for the account of the Trustee not later than 2:00 p.m., Austin, Texas time, (or such time as may be mutually agreed upon by the parties) on the Closing Date.

(c) *Issuer Capital.* At Closing, ERCOT shall make a cash capital contribution to the Issuer in an amount equal to \$4,000,000.00 (the "**Issuer Capital**") of cash to the Issuer to be retained by the Issuer outside of the Indenture as determined pursuant to applicable tax and securities laws and regulations. The Issuer Capital shall be subject to the terms set forth in Section 3(c) of the Series Supplement.

(c) *Authorization to Close.* Subject to the delivery of the Purchase Price by the Purchaser as provided in Section 2.3(b) above and confirmation that the Issuer Capital has been deposited with the Issuer as described in Section 2.3(c) above, then upon receipt of authorization by the Parties in accordance with the Closing Memorandum, the Closing Documents shall be released from escrow and the Issuer shall direct the Indenture Trustee to authenticate and deliver the Global Bonds to DTC for the benefit of the Purchaser.

Section 2.4 Application of Bond Proceeds; Payment of Expenses. Immediately upon the authentication and delivery of the Bonds, the Indenture Trustee shall apply the proceeds of the Bonds as set forth in Section 2(f) of the Series Supplement. The amount specified in Section 2(f)(iii) will be transferred in accordance with the written closing memorandum of the Issuer attached hereto as Exhibit C (the "**Closing Memorandum**"), for the payment the Default Balance, and paying for the costs of issuing the Bonds, including the costs of ERCOT incurred in connection with the securitization of the Default Balance. The ERCOT Parties will pay all expenses incidental to the performance of the obligations of the ERCOT Parties under this Agreement, including without limitation (i) the cost of delivering the Bonds to the Purchaser, (ii) all transfer taxes, if any, with respect to the sale and delivery of the Bonds to the Purchaser, (iii) the expenses of any due diligence conducted for or on behalf of the ERCOT Parties with respect to the Default Property, and (iv) all other costs and expenses incidental to the performance by the ERCOT Parties of their respective obligations hereunder which are not otherwise specifically provided for above.

Section 2.5. Federal Income Tax Treatment of the Purchaser.

(a) The Purchaser represents to the ERCOT Parties that the Purchaser is not subject to United States federal income taxation, and has never been subject to, and is unlikely to be subject to, any income tax or other tax withholding requirements of the United States federal, state or local laws. Based on the foregoing, the ERCOT Parties agree that, before withholding and paying over to any United States taxing authority any amount purportedly representing a tax liability of the Purchaser with respect to the Bonds, the ERCOT Parties will provide the Purchaser with written notice of the claim of any U.S. taxing authority that such withholding and payment is required by law and will provide the Purchaser with the opportunity to contest such claim during any period; provided, that such contest does not subject any ERCOT Entity to any potential liability to such taxing authority for any such claimed withholding and payment.

(b) The ERCOT Parties will use commercially reasonable efforts to prepare all tax rebate, reduction or reclaim forms or other filings or elections that are required to obtain any available exemption from, reduction in, or refund of, any withholding or other taxes required in any taxing jurisdiction inside or outside the United States on behalf of the Purchaser, for signature by the Purchaser, and to assist the Purchaser, at the Purchaser's expense, to obtain refunds for taxes withheld or paid with respect to the Purchaser as to which a refund is obtainable. The Purchaser agrees that it will cooperate with the ERCOT Parties in making any such filings or elections to the extent the Purchaser determines that such cooperation is necessary or desirable.

(c) The ERCOT Parties further agree that they will take reasonable efforts to minimize any withholding taxes payable to any taxing authority, whether U.S. or non-U.S., with respect to income earned by the ERCOT Parties that is allocable to the Purchaser, to the extent such withholding tax can be avoided or reduced through the delivery of an appropriate certification to the payor or otherwise.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE ERCOT PARTIES.

Each of ERCOT (as to itself, its Affiliates and the Issuer) and the Issuer (as to itself only) hereby makes the following representations, warranties and covenants, where such representation relates only to such Person, as of the date hereof and as of the Closing Date, which representations and warranties shall survive Closing:

Section 3.1 Organization; Power and Authority. Each of the Issuer and ERCOT has been duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and is duly qualified as a foreign company and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of the Issuer and ERCOT has the company power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Bonds (in the case of the Issuer) and each other Securitization Document to which it is a party and to perform the provisions hereof and thereof.

Section 3.2 Due Authorization. This Agreement and the Bonds and each other Securitization Document to which the Issuer or ERCOT is a party have been duly authorized by all necessary corporate action on the part of the Issuer and ERCOT, as applicable, and this Agreement constitutes, and upon execution and delivery thereof each Bond (upon authentication thereof at the direction of the Issuer) and each other Securitization Document to which the Issuer and/or ERCOT is a party will constitute a legal, valid and binding obligation enforceable against the Issuer or ERCOT, as applicable, in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.3 Diligence and Disclosure. The information contained in the Disclosure Documents fairly presents, in all material respects, as of the date thereof, the general nature of the business and principal properties of the Issuer and ERCOT. The Disclosure Documents, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. There has been no change in the financial condition, operations, business, properties or prospects of the Issuer and ERCOT as they are described in the Disclosure Documents, except changes that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.4. Organization and Ownership of the Issuer. The Issuer is a single-member limited liability company whose sole member is ERCOT. The Issuer has no, and shall not have any Subsidiaries.

Section 3.5. Financial Statements; Material Liabilities. ERCOT has delivered to the Purchaser copies of the financial statements of each of ERCOT listed on Schedule 1.5. All of such financial statements (including related schedules and notes) fairly present in all material respects the consolidated financial position of each of ERCOT as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). ERCOT does not have any Material liabilities that are not disclosed in such financial statements or in the Disclosure Documents.

Section 3.6. Compliance with Law and Other Agreements. The adoption, execution and delivery of this Agreement, the Bonds (in the case of the Issuer) and each other Securitization Document to which the Issuer and ERCOT, as applicable, is a party does not: (i) conflict with, result in any breach of any of the terms and provisions of or constitute (with or without notice or lapse of time) a default under, the certificate of incorporation, certificate of formation, memorandum and articles of association and/or limited liability company agreement, as applicable, of such party, or any indenture, agreement or other instrument to which such party is a party or by which it is bound, result in the creation of any Lien upon any material property of assets of each of the Issuer and ERCOT, as applicable, (other than pursuant to the Securitization Documents); or (ii) violate any judgment, decree, law, order, rule or regulation applicable to such party of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over such party or any of its properties.

Section 3.7 Governmental Authorizations, Etc. (i) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been already obtained and other than in

connection or in compliance with the provisions of applicable blue sky laws or securities laws of any state, as to which the Issuer makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds to the Purchaser; and (ii) no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required of ERCOT or any Affiliate thereof in connection with the execution, delivery or performance by the Issuer and/or ERCOT of this Agreement, the Securitization Documents or the Bonds, as applicable. None of the ERCOT Parties has received an order from the SEC, any state securities commission, the PUCT or any foreign government or agency thereof preventing or suspending the offering of the Bonds, and no such order has been issued and no proceedings for that purpose have been instituted.

Section 3.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as otherwise disclosed in the Disclosure Documents, there are no actions, suits, investigations or proceedings pending or, to the best knowledge of each of the Issuer and ERCOT or their Affiliates, threatened against or affecting any of the Issuer, ERCOT or their Affiliates or any property of any of the Issuer, ERCOT or their Affiliates in any court or before any arbitrator of any kind or before or by any Governmental Authority (i) asserting the invalidity of the Default Property, any Securitization Document, this Agreement or the Bonds, (ii) seeking to prevent the issuance or transfer of the Default Property, issuance of the Bonds or the consummation of any of the transactions contemplated by any Securitization Document or this Agreement, (iii) that may adversely affect the federal or state income, excise, franchise or similar tax attributes of the Issuer or the Bonds, (iv) seeking any determination or ruling that might materially and adversely affect the performance by the Issuer or ERCOT as applicable of its obligations under, or the validity or enforceability of, the Bonds, any Securitization Document, or this Agreement or (v) that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) None of the Issuer, ERCOT or any of their Affiliates is (i) in default (or any event that with notice, the passage of time or both would constitute a default) under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority, (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including, without limitation, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 4.16) or (iv) its organizational documents.

Section 3.9. Taxes.

(a) The Issuer and ERCOT have filed all tax returns that are required to have been filed in any jurisdiction, and has paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which, individually or in the aggregate, is not Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Issuer has established adequate reserves in accordance with GAAP. Each of the Issuer and ERCOT knows of no reasonable basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Issuer and ERCOT in respect of U.S. federal, state or other taxes for all fiscal periods are adequate.

(b) The ERCOT Parties represent to the Purchaser that the Bonds will be treated as debt obligations of ERCOT for United States federal income tax purposes.

(c) A private letter ruling with respect to the applicability to the issuance of the Bonds of previous revenue procedure rulings related to investor-owned utilities has been requested from the Internal Revenue Service and no response is expected to be received prior to the Closing.

Section 3.10. Title to Property; Leases. Each of the Issuer and ERCOT have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 1.5 or purported to have been acquired by the Issuer and ERCOT after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 3.11. Licenses, Permits, Etc. Each of the Issuer and ERCOT has received all licenses, permits or other regulatory approvals required (if any) for the performance by the Issuer and ERCOT, as applicable, of their respective obligations under the Securitization Documents, and neither the Issuer nor ERCOT is in material default, and no event has occurred which would constitute or result in a material default, under any such licenses, permits or approvals.

Section 3.12. Compliance with ERISA.

(a) The Issuer, ERCOT and each ERISA Affiliate of the Issuer and ERCOT have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Issuer nor any ERISA Affiliate maintains or contributes, to or has any obligation to maintain or contribute to, any Plan that is subject to Title IV of ERISA, nor does the Issuer or any ERISA Affiliate have any liability under Title IV of ERISA, including without limitation, any liability with respect to any Multiemployer Plan.

(b) The expected postretirement benefit obligation (determined as of the last day of ERCOT's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of ERCOT is not Material.

(c) The execution and delivery of this Agreement and the issuance and sale of the Bonds hereunder does not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Issuer to the Purchaser in the first sentence of this Section 4.12(c) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 4.2 as to the sources of the funds to be used to pay the purchase price of the Bonds to be purchased by the Purchaser.

Section 3.13. Private Offering by the Issuer. Neither the Issuer, ERCOT, nor anyone acting on their behalf has offered the Bonds or any similar Securities for sale to, or solicited or generally advertised (within the meaning of Regulation D) any offer to buy the Bonds or any similar securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchaser. Neither the Issuer, ERCOT nor anyone acting on their behalf has taken, or will take, any

action that would subject the issuance or sale of the Bonds to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 3.14. Use of Proceeds; Margin Regulations. The Issuer will apply the proceeds of the sale of the Bonds hereunder as set forth in Section 2.4. No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Issuer in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 3.15. No Existing Indebtedness of Issuer; Future Liens.

(a) The Issuer has no outstanding indebtedness (other than the obligations contemplated by the Securitization Documents and this Agreement).

(b) Except as contemplated by the Securitization Documents, the Issuer has not agreed or consented to cause or permit any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures indebtedness or to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures indebtedness.

(c) The Issuer is not a party to, or otherwise subject to any provision contained in, any instrument evidencing indebtedness of the Issuer, any agreement relating thereto or any other agreement (including, but not limited to, its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, indebtedness of the Issuer, except as provided in the Securitization Documents.

Section 3.16. Foreign Assets Control Regulations, Etc.

(a) None of the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("**OFAC**") (an "**OFAC Listed Person**"), (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, CISADA or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "**U.S. Economic Sanctions**") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "**Blocked Person**"). None of the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity has been notified that its name appears or may

in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) Except with respect to the remittance of Bond proceeds for the payment of the Default Balance to wholesale market participants in accordance with the Debt Obligation Order (as to which neither ERCOT nor the Issuer has made any inquiries and makes no representation whatsoever), no part of the proceeds from the sale of the Bonds has constituted, constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) None of the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, "**Anti-Money Laundering Laws**") or any U.S. Economic Sanctions violations, (ii) to the Issuer's actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Issuer has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Issuer and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) None of the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, "**Anti-Corruption Laws**"), (ii) to the Issuer's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(e) To the Issuer's actual knowledge after making due inquiry, none of the Issuer, ERCOT, any ERCOT Affiliate or any Controlled Entity has, within the last ten (10) years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Government Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any law or regulation applicable to such holder.

(f) No part of the proceeds from the sale of the Bonds has been or will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage.

Section 3.17. Energy Company Boycotts. The ERCOT Parties represent and warrant that the ERCOT Parties do not, and will not for the duration of the Bonds, boycott energy companies. If circumstances relevant to this provision change during the term of the Bonds, the ERCOT Parties shall promptly notify the Purchaser.

Section 3.18. Firearm Entities and Trade Associations Discrimination. The ERCOT Parties verify that the ERCOT Parties do not, and will not for the duration of the Bonds, have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association. If circumstances relevant to this provision change during the term of the Bonds, the ERCOT Parties shall promptly notify the Purchaser.

Section 3.19 No Boycott of Israel. The ERCOT Parties represent and warrant that the ERCOT Parties do not, and will not for the duration of the Bonds, boycott Israel. If circumstances relevant to this provision change during the term of the Bonds, the ERCOT Parties shall promptly notify the Purchaser.

Section 3.20. Bonds. The Global Bonds and the Securitization Documents conform in all material respects to the forms delivered to the Purchaser as of the effective date hereof as described in Section 2.2 hereof, subject to any modifications that have been mutually agreed upon between the Issuer and the Purchaser. The issuance and sale of the Bonds has been authorized by the Issuer, and at Closing, the Bonds will have been duly and validly executed, authenticated and delivered in accordance with the Indenture and this Agreement, and the Bonds will be duly and validly issued and outstanding and entitled to the benefits afforded by the Indenture.

Section 3.21. Sale of Default Property. The representations and warranties of each of ERCOT and the Issuer contained in the Sale Agreement are true and correct in all respects.

Section 3.22. Solvency. ERCOT will be solvent at all relevant times prior to, and will not be rendered insolvent by, the transfer of the Default Property to the Issuer under the Sale Agreement. The transfer of the Default Property under the Sale Agreement is not intended to defraud or disadvantage creditors of ERCOT or its Affiliates.

SECTION 4. REPRESENTATIONS OF THE PURCHASER.

Section 4.1. Purchase for Investment. The Purchaser represents to the Issuer that the Purchaser is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities and Exchange Commission. The Purchaser represents to the Issuer that the Purchaser is aware that the Bonds will be issued in reliance on the exemption provided by Section 4(a)(2) of the Securities Act, and Regulation D. The purchaser (i) is purchasing the Bonds solely for its own account, (ii) can bear the economic risk of an investment in the Bonds, (iii) has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Bonds, and (iv) has made the decision to purchase the Bonds based on its own independent investigation regarding the Bonds and has received the information it considers necessary to make an informed decision to invest in the Bonds. The Purchaser understands that the Bonds have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an

exemption is required by law. The Purchaser understands and acknowledges that the Bonds are subject to certain transfer restrictions as set forth in the Series Supplement and in the Global Bonds.

Section 4.2. Source of Funds. The Purchaser represents that assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA, will not be used by the Purchaser to pay the purchase price of the Bonds to be purchased by the Purchaser hereunder. As used in this Section 4.2, the terms "**employee benefit plan**," "**governmental plan**," and "**separate account**" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 5. CONTINUING OBLIGATIONS OF ERCOT.

Section 5.1. Issuer Support Obligations For the Benefit of the Initial Purchaser. for so long as the Purchaser is a holder of the Bonds, ERCOT hereby covenants and agrees, for the benefit of the Purchaser, that:

(a) *Risk Retention Requirements.* If at any time while the Purchaser is a holder of the Bonds, a Risk Retention Event shall occur as described in Section 3(b) of the Series Supplement, ERCOT shall use all lawful and reasonable means to enable the Issuer to satisfy the Risk Retention Requirements, as described in such Section 3(b).

(b) *Application for Rating.* If at any time while the Purchaser is a holder of the Bonds, the Issuer shall be required to obtain a credit rating on the Bonds from one or more Rating Agencies pursuant to the terms of Sections 6(b)(i), 7(a) or 7(b) of the Series Supplement, ERCOT shall cooperate with the Issuer in obtaining such rating and provide to the Rating Agencies such information regarding the Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies.

(b) *Offering Memorandum.* If at any time while the Purchaser is a holder of the Bonds, the Issuer shall be required to prepare an Offering Memorandum for dissemination to potential purchasers of the Bonds, pursuant to Section 6(b)(ii) of the Series Supplement, ERCOT shall cooperate with the Issuer in the preparation of such Offering Memorandum and provide such information regarding ERCOT and the Bonds as may be reasonably required for inclusion in the Offering Memorandum in a timely manner.

Section 5.2. Additional Documentation. Except as otherwise may be prohibited by state or federal securities laws, for so long as the Purchaser is a holder of the Bonds, then to the extent not otherwise required of the Issuer or ERCOT under the Securitization Documents, ERCOT will furnish or make available to the Initial Purchaser and its counsel such additional documents and information regarding the Issuer or ERCOT and their respective affairs as the Purchaser may from time to time reasonably request.

Section 5.3. Securities Act. For so long as the Purchaser is a holder of the Bonds, and except as otherwise contemplated by the Securitization Documents or as otherwise directed by a majority of the holders of the Bonds, neither ERCOT nor any of its Affiliates or any of Agents will, without the prior written consent of the Initial Purchaser, directly or indirectly, make offers or sales of any Security, or solicit offers to buy any Security, under any circumstances that would

require the registration of the Bonds under the Securities Act. Without limitation of the foregoing, (i) neither ERCOT nor any of its Affiliates or Agents will (i) engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Bonds and (ii) sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any Security (as defined in the Securities Act) the offering of which Security will be integrated with the sale of the Bonds in a manner that would require the registration of the Bonds under the Securities Act.

SECTION 6. INDEMNIFICATION.

(a) To the fullest extent permitted by law, the ERCOT Parties each jointly and severally agree to indemnify and hold harmless the Purchaser and its directors, officers, agents and employees (each an **"Indemnified Person"**), against any and all losses, claims, damages, liabilities and expenses to which the Purchaser may become subject, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof), arise out of or are based upon (i) a claim in connection with the private offering of the Bonds to the effect that the Bonds are required to be registered under the Securities Act or the Indenture is required to be qualified under the Trust Indenture Act, or (ii) any statement or information in the Disclosure Documents that, taken as a whole, is or is alleged to be untrue or incorrect in any material respect, or any omission or alleged omission of any statement or information in the Disclosure Documents that, taken as a whole, is necessary in order to make the statements therein in light of the circumstances under which they were made, not misleading. The foregoing indemnity agreement shall be in addition to any liability that the ERCOT Parties otherwise may have.

(b) In case any claim shall be made or action brought against an Indemnified Person for which indemnity may be sought against ERCOT Parties, as provided above, the Indemnified Person shall promptly notify the ERCOT Parties in writing setting forth the particulars of such claim or action; but the omission to so notify the ERCOT Parties (i) shall not relieve it from liability under paragraph (a) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the ERCOT Parties of substantial rights and defenses and (ii) shall not relieve it from any liability which it may have to any Indemnified Person otherwise than under paragraph (a) above. The defense shall be coordinated by the ERCOT Parties in coordination with the Indemnified Parties and, to the extent required under Texas law, the Texas Attorney General. The ERCOT Parties may not agree to any settlement without first obtaining the concurrence from the Indemnified Parties and, when required under Texas law, the Texas Attorney General. The ERCOT Parties and an Indemnified Person agree to furnish timely written notice to each other of any such claim.

SECTION 7. CONFIDENTIAL INFORMATION.

Section 7.1 Protection of Confidential Information.

(a) The ERCOT Parties acknowledge that the Purchaser has represented to the ERCOT Parties that the Purchaser is a "governmental body" for purposes of, and subject to the provisions of, the Texas Public Information Act (the **"TPIA"**), which statute provides for disclosure of documentation and records held by governmental bodies of the State of Texas, unless an exemption from disclosure is available under the TPIA.

(b) The ERCOT Parties acknowledge that (i) certain information regarding the Bonds (herein referred to as **"Public Investment Information"**) is required to be disclosed to the public upon receipt

of a valid request therefor under Section 552.0225 of the TPIA (a copy of which is attached hereto as Annex A); (ii) Section 552.143 of the TPIA (a copy of which is attached hereto as Annex B) provides that certain information regarding the Bonds is confidential and excepted from disclosure under the TPIA (such information being herein referred to as the "**Non-Public Investment Information**"); and (iii) any disclosure of Public Investment Information may be made without regard to, and will not be deemed to be a breach of, any provision in any agreement relating to the Purchaser's investment in the Bonds.

(c) The ERCOT Parties acknowledge that the Purchaser may receive requests from third parties made pursuant to and in accordance with the TPIA to disclose confidential information in the Purchaser's possession related to the Bonds. The ERCOT Parties agree that, anything to the contrary in any agreement relating to the Purchaser's investment in the Bonds notwithstanding, the Purchaser's only obligations in the event of the receipt of a request to the Purchaser from a third party made in accordance with the TPIA for the disclosure of Non-Public Investment Information shall be to comply with the provisions of paragraph (d) of this Section 7.1 below.

(d) (i) Actions Following Receipt of Request for Non-Public Investment Information. Upon receipt by the Purchaser of a request from a third party made in accordance with the TPIA for the disclosure of Non-Public Investment Information, the Purchaser:

- (A) shall promptly notify ERCOT of the request;
- (B) shall consult with and reasonably cooperate with ERCOT regarding the response to the request;
- (C) shall use its reasonable best efforts (as provided by subparagraph (ii) of this paragraph (d)) to ask for a decision from the Texas Attorney General (the "**Texas AG**"), with respect to all Non-Public Investment Information so sought, as to whether or not the information is within an exception from the disclosure requirements of the TPIA; and
- (D) will not release any Non-Public Investment Information while the decision of the Texas AG is pending.

(ii) Non-Public Investment Information. If, following consultation with ERCOT, the Purchaser reasonably determines that a request for information includes information which is within an exception from disclosure under the TPIA, the Purchaser shall submit written comments to the Texas AG stating the reasons why the exceptions stated in such comments apply that would allow the information to be withheld from public disclosure. The Purchaser, as author of the written comments, shall be entitled to determine in its reasonable discretion which stated exceptions to present to the Texas AG as applicable to the information.

(iii) Release of Information Following Texas AG Decision. If, in response to a request for decision under this paragraph (d), the Texas AG determines that

Non-Public Investment Information must be disclosed, the Purchaser (1) shall promptly provide notice of the decision to ERCOT, and (2) without the consent of ERCOT, may not disclose that information before the 10th day after the date of receipt of the decision. If within that period ERCOT or the Issuer files a petition in a Travis County, Texas district court seeking a declaratory judgment, a writ of mandamus, or other relief from compliance with the decision of the Texas AG, the Purchaser will not disclose the information pending final judgment in the suit unless ordered to do so by the court.

(e) Subject to paragraph (f) below, so long as the Purchaser is still a holder of the Bonds, the ERCOT Parties agree that no ERCOT Party will:

- (i) withhold information from the Purchaser that it provides to holders of other bonds issued pursuant to Subchapter M of the Texas Utilities Code generally;
- (ii) adjust, or redact or remove information from, any statement or report delivered to the Purchaser that is provided to holders of other bonds issued pursuant to Subchapter M of the Texas Utilities Code generally; or
- (iii) deny the Purchaser access to ERCOT's or the Issuer's books and records that it provides to holders of other bonds issued pursuant to Subchapter M of the Texas Utilities Code generally.

(f) ERCOT hereby agrees that, so long as the Purchaser is still a holder of the Bonds, in the event that ERCOT or the Issuer delivers any information to the holders of other bonds issued pursuant to Subchapter M of the Texas Utilities Code but not to the Purchaser, ERCOT will provide prompt written notice thereof to the Purchaser and further agrees that such information nevertheless shall be made available to the Purchaser in such other format as ERCOT and the Purchaser mutually agree, such as by being able to view such information (i) online via secure, read-only, non-downloadable websites, or (ii) at ERCOT's offices.

(g) ERCOT acknowledges that the Purchaser shall not, after the receipt by the Purchaser of a request from a third party made in accordance with the TPIA for the disclosure of information relating to the Bonds, be required to return to ERCOT or the Issuer prior to the resolution of such request copies of any information provided to it by ERCOT or the Issuer which, in the Purchaser's reasonable discretion, may be responsive to such request.

(h) The ERCOT Parties agree that the Purchaser will not be excluded from participating in an investment or required to relinquish its investment in the Bonds as a result of the Purchaser's right to disclose, or any actual disclosure made by it, of any Public Investment Information or of any Non-Public Investment Information which is disclosed under the TPIA and in accordance with the procedures set forth in this Agreement.

(i) The ERCOT Parties agree that any confidentiality agreement that the Purchaser may be required to agree to in order to access any website maintained by an ERCOT Party for the purpose of

making certain documents available or delivering notices to holders of the Bonds under the Indenture or otherwise shall be subject to the confidentiality provisions of this Agreement.

(j) The ERCOT Parties agree that ERCOT will make itself available to the Purchaser and its representatives not less than semi-annually in order to review and discuss with ERCOT the Issuer's financial reports, its investment portfolio and other matters reasonably related to the affairs of the Issuer, provided that such meetings (i) are held at mutually convenient dates, times and locations; (ii) do not cause ERCOT or its affiliates to incur unreasonable costs or expenses; and (iii) do not cause undue disruption to the normal business activities of the ERCOT Parties and their respective employees, consultants, affiliates and representatives. Any information provided in such meetings shall be deemed Non-Public Investment Information of the Issuer.

SECTION 8. GENERAL PROVISIONS.

Section 8.1. Notices. All notices ("Notices") provided for in this Agreement shall be in writing delivered to the applicable Notice Address set forth below (or at such other address as may have been designated by written Notice) and may be given by personal or courier delivery, registered or certified mail, or electronic communication, provided that delivery by electronic communication must be confirmed by the sender. Notices will be deemed given only when actually received.

If to the Comptroller: The Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774
Attention: Piper Montemayor
Email: piper.montemayor@cpa.texas.gov
Phone: (512) 463-6369

If to TTSTC: Texas Treasury Safekeeping Trust Company
208 East 10th Street, 4th Floor
Austin, Texas 78701
Attention: Genoveva Minjares
Email: accounting@ttstc.texas.gov
legal@ttstc.texas.gov
Telephone: 512.463.4300

If to ERCOT: Electric Reliability Council of Texas Inc
7620 Metro Center Drive
Austin, Texas 78744
Attention: Chad Seely, General Counsel
Email: chad.seely@ercot.com
Telephone: (512) 225-7000

If to the Issuer: Texas Electric Market Stabilization Funding M LLC
7620 Metro Center Drive
Austin, Texas 78744
Attention: Chad Seely, President & Chief Executive Officer

Email: chad.seely@ercot.com
Telephone: (512) 225-7000

Section 8.2. Term of Agreement; Survival. The obligations of ERCOT contained in Section 5 hereof shall remain in full force and effect only for so long as the Purchaser shall remain a holder of the Bonds. The obligations of ERCOT under Section 5 hereof shall not inure to the benefit of any subsequent holder of the Bonds. The representations, warranties, agreements and indemnities contained in Sections 3, 4, 6 and 7 of this Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Purchaser, and shall survive the delivery of and payment for the Bonds and any termination of this Agreement.

Section 8.3. Benefit of Agreement; Term; Interpretation. This Agreement is made solely for the benefit of the signatories hereto and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of the Bonds merely by virtue of such holding. Section headings have been included in this Agreement as a matter of convenience of reference only and are not to be used in the interpretation of any provisions of this Agreement. If any provision of this Agreement is, or is held or deemed to be, invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions because it conflicts with any provisions of any constitution, statute or rule of such jurisdiction, such provision shall remain enforceable with respect to any other case or jurisdiction not otherwise determined to be in such a conflict.

Section 8.4. Reproduction of Documents. This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by the Purchaser at Closing, and (c) financial statements, certificates and other information previously or hereafter furnished to the Purchaser, may be reproduced by the Purchaser by any photographic, photostatic, electronic, digital, or other similar process and the Purchaser may destroy any original document so reproduced (except the Bonds themselves). The Issuer agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by the Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 8.5. Construction, Etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person. Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) subject to Section 8.1, any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and

"hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Exhibits, Annexes and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

Section 8.6. Sovereign or Governmental Immunity. The ERCOT Parties acknowledge and agree that the Purchaser reserves all immunities, defenses, rights and actions arising out of its status as a sovereign state or governmental entity, including those under the Eleventh Amendment to the United States Constitution. No waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by reason of the Purchaser entering into this Agreement or by reason of the Securitization Documents, by any express or implied provision thereof, or by any actions or omissions to act by the Purchaser or any representative or agent of the Purchaser, whether taken or omitted to be taken or omitted to be taken pursuant to this Agreement or any Securitization Document or prior to the entry by the Purchaser into this Agreement or any Securitization Document. Anything to the contrary in this Agreement or in any Securitization Document notwithstanding, all such immunities, defenses, rights and actions shall be construed under the internal laws (and not the law of conflicts) of the State of Texas.

Section 8.7. Counterparts; Electronic Contracting. This Agreement may be executed in any number of counterparts (including electronic PDF), each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. The parties hereto agree to electronic contracting and signatures with respect to this Agreement. Delivery of an electronic signature to, or a signed copy of, this Agreement by facsimile, email or other electronic transmission (including Adobe "fill and sign" or such other provider as specified in writing by the Issuer) shall be fully binding on the parties to the same extent as the delivery of the signed originals and shall be admissible into evidence for all purposes. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the other Securitization Documents to which the parties hereto are parties (other than the Bonds), or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000, the Texas Uniform Electronic Transactions Act, the New York State Electronic Signatures and Records Act, or any state laws based on the Uniform Electronic Transactions Act.

Section 8.8. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Texas excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 8.9. Dispute Resolution. ERCOT on its own behalf and on behalf of the Issuer agrees that it will not bring any claim against the Purchaser in any court or tribunal without first going through the administrative procedure detailed in Chapter 2260 of the Texas Government Code and the rules promulgated by the Texas Comptroller of Public Accounts in 34 Tex. Admin. Code §§ 1.360-1.387 (to the extent applicable to such a claim).

(signature page follows)

If you agree with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to TTSTC, whereupon this Agreement shall become a binding agreement between the ERCOT Parties and the Purchaser.


Very truly yours,

TEXAS TREASURY SAFEKEEPING TRUST COMPANY


By: 
Anca Ion
Chief Investment Officer

This Agreement is hereby
accepted and agreed to as
of the date hereof.

**TEXAS ELECTRIC MARKET STABILIZATION
FUNDING M LLC,**
a Delaware limited liability company

By: 
Sean Taylor
Vice President and Chief Financial Officer

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC.,
as Servicer

By: 
Sean Taylor
Vice President and Chief Financial Officer

*Signature Page to
Bond Purchase Agreement*



DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Issuer, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Issuer or any Person of which the Issuer beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Issuer.

"Agreement" means this Agreement, including all Schedules attached to this Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Anti-Corruption Laws" is defined in Section 3.16(d)(i).

"Anti-Money Laundering Laws" is defined in Section 3.16(c).

"Authorized Officer" means, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president, vice president (or the equivalent thereof), chief financial officer or treasurer of such Person; provided that the secretary or assistant secretary of such Person shall have delivered an incumbency certificate to the Indenture Trustee as to the authority of such Authorized Officer.

"Blocked Person" is defined in Section 3.16(a).

"Bonds" is defined on page 1 of this Agreement.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in Texas or in New York, New York are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"CISADA" means the Comprehensive Iran Sanctions, Accountability and Divestment Act.

"Closing" is defined in Section 2.1.

"Closing Date" is defined in Section 2.1.

"Closing Documents" is defined in Section 2.2.

"Closing Memorandum" is defined in Section 2.3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Controlled Entity" means (i) any of the Issuer's Controlled Affiliates and (ii) if the Issuer has a parent company, such parent company and its Controlled Affiliates. As used in this definition,

"Default Property" is defined in Section 1.1.

"Disclosure Documents" is defined in Section 1.5.

"ERCOT Party" or **"ERCOT Parties"** is defined on Page 1.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Issuer under section 414 of the Code.

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

"Governmental Authority" means

- (a) the government of
 - (i) the United States of America or any state or other political subdivision thereof, or
 - (ii) any other jurisdiction in which the Issuer conducts all or any part of its business, or which asserts jurisdiction over any properties of the Issuer, or
- (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"Indemnified Person" is defined in Section 6(a).

"Indenture" is defined in Section 1.1.

"Indenture Trustee" is defined in Section 1.1.

"Issuer" is defined on page 1.

"Issuer Capital" is defined in Section 2.3(c).

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Issuer taken as a whole or are necessary for the performance of obligations under the Securitization Documents.

"Material Adverse Effect" means, with respect to a Person, a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of such Person, (b) the ability of such Person to perform its obligations under this Agreement, the Securitization Documents and the Bonds, or (c) the validity or enforceability of this Agreement, a Securitization Document or the Bonds.

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

"Non-Public Investment Information" is defined in Section 7.1(b).

"OFAC" is defined in Section 3.16(a).

"OFAC Listed Person" is defined in Section 3.16(a).

"OFAC Sanctions Program" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of ERCOT or the Issuer whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Issuer or any ERISA Affiliate or with respect to which the Issuer or any ERISA Affiliate may have any liability.

"Public Investment Information" is defined in Section 7.1(b).

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Regulation D" is defined in Section 5.1.

"Sale Agreement" is defined in Section 1.1.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"Securities" or **"Security"** shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder and currently in effect.

"Securitization Documents" shall have the meaning specified in Section 1.1.

"Seller" shall have the meaning set forth in the Indenture.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Issuer.

"State Pledge" means Utilities Code Section 39.609, which states that the State of Texas pledges for the benefit and protection of the ERCOT Parties, the Purchaser and other holders of Subchapter M Bonds that the State of Texas will not take or permit any action that would impair the value of default property, or reduce, alter, or impair the Default Charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related Subchapter M Bonds have been paid and performed in full.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries).

"Texas AG" is defined in Section 7.1(d)(i)(C).

"TPIA" is defined in Section 7.1(a).

"USA PATRIOT Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"U.S. Economic Sanctions" is defined in Section 3.16(a).

INFORMATION RELATING TO PURCHASER

Name and Address of the Purchaser Principal Amount \$800,000,000

TEXAS TREASURY SAFEKEEPING TRUST COMPANY
208 East 10th Street, 4th Floor
Austin, Texas 78701

Notices and Communications

All notices and communications, including notices with respect to payments and prepayments, shall be delivered or mailed to:

Texas Treasury Safekeeping Trust Company
208 East 10th Street, 4th Floor
Austin, Texas 78701
Attention: Genoveva Minjares
Email: accounting@ttstc.texas.gov
legal@ttstc.texas.gov
Telephone: 512.463.4300

Taxpayer Identification Number: 74-2450863

Delivery of Bonds: The Bonds shall be Depository Trust Company ("DTC") eligible and will be held in book-entry form.

INDEX OF DILIGENCE DOCUMENTS

#	DOCUMENT
01	ERCOT Fact Sheet
02	ERCOT Organizational Chart
03	Working at ERCOT - Field Guide (June 2021)
04	Investment (CS3.2)
05	SOC I Report for Settlement Operations (10.1.19 – 09.30.20)
06	(a) Acceptable Use (CS7.1) (b) Information Protection (CS7.6) (c) Communication (CS1.9)
07	(a) Acceptable Use (CS7.1) (b) Access Requirements (CS7.2) (c) Access Management (CS7.3) (d) Infrastructure Security (CS7.4) (e) Application and Database Security (CS7.5) (f) Information Protection (CS7.6) (g) Security Patch Management (CS7.8) (h) Mobile Device (CS7.9) (i) Security (CP7)
08	(a) Working at ERCOT - Field Guide (June 2021) (b) Code of Conduct 1.7.3 (c) Workforce (CP5) (d) Code of Conduct & Ethics (CS1.7)
09	Business Expense Reimbursement (CS3.5)
10	Investment (CS3.2)
11	(a) Code of Conduct 1.7.3 (b) Code of Conduct & Ethics (CS1.7)
12	Baker Tilly – Statement of Work No. 3

13	Investment (CS3.2)
14	ERCOT Nodal Protocols (September 1, 2019)
15	ERCOT Strategic Plan
16	List of Market Participants in ERCOT Region (10.13.21)

B. FINANCIAL	01	ERCOT 2020 Financial Statements
	02	ERCOT 2019 Financial Statements
	03	Moody's Investor Services Article – Moody's downgrades ERCOT
	04	Moody's Investor Services Article – Securitization will be a shock absorber

C. TRANSACTION DOCUMENTS	01	Subchapter M Debt Obligation Order
	02	ERCOT – Default Charge Protocols
	03	Due Diligence Questionnaire
	04	Litigation Disclosure
	05	Cash Flow Model
	06	Investment Considerations for the Purchase of the Series 2021 Bonds
	07	Direct Testimony of Kenan Ogleman
	08	Direct Testimony of Charles N. Atkins II
	09	Direct Testimony of Sean Taylor

INDEX OF CLOSING DOCUMENTS

(A) ISSUANCE DOCUMENTS

No.	Document
1.	Administration Agreement
2.	Indenture
3.	2021 Series Supplement
4.	Bonds
5.	Default Property Servicing Agreement
6.	Purchase and Sale Agreement
7.	Bill of Sale
8.	Pricing Term Sheet
9.	Pricing Term Sheet Affidavit
10.	Bond Purchase Agreement – Texas Stabilization M Bonds
11.	Trustee Certificate
12.	Cross Receipt
13.	Financing Statements
	a) SPE - Delaware w/IT as SP
	b) SPE - Texas (Transition Property Notice) w/ IT as Financing Party
	c) ERCOT – Texas (UCC) W/SPE as SP (Transition Property as Collateral)
	d) ERCOT -Texas (Transition Property Notice) w/ SPE as Financing Party
	e) ERCOT - Texas (Transmitting Utility) w/IT and SPE as SP
14.	Investment Considerations
15.	Certificate of Authentication
16.	DTC – BLOR
17.	DTC – 144A Rider

(B) OPINION DOCUMENTS

No.	Document
1.	Federal Constitutional Issues
2.	State of Texas Constitutional Issues
3.	Special Tax Counsel Opinion
4.	True Sale of Default Property from Sponsor to Issuer

No.	Document
5.	Nonconsolidation of Sponsor and Issuer
6.	Due Execution, Enforceability and Securities law opinions (exempt offering, Trust Indenture Act and Investment Company Act exemptions), Due Authorization, Execution, Enforceability & Perfection
7.	Special Securities Law Opinions (Dodd Frank Act Risk Retention Requirement, Including Regulation AB)
8.	Opinion of DE Counsel – Authority to File
9.	Opinion of DE Counsel – State Law
10.	Certificate to Counsel

(C) ORGANIZATIONAL AND AUTHORIZATION DOCUMENTS

No.	Document
TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC. (DE) (SPE Issuer)	
1.	Secretary's Certificate in Support of Bond Transaction
2.	Officer's Certificate in Support of Bond Transaction
3.	Certificate of Formation
4.	Company Agreement
5.	Amended and Restated Company Agreement
6.	Management Agreement
7.	Issuer's Resolution
8.	Application To Do Business in TX
9.	Good Standing Certificate (DE)
10.	Certificate of Fact (TX)
11.	Franchise Tax Account Status
12.	EIN
13.	Issuer Organizational Chart
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.	
14.	Secretary's Certificate in support of Bond Transaction
15.	Officer's Certificate in support of Bond Transaction
16.	Subchapter M Resolutions
17.	Amended and Restated Bylaws
18.	Amended and Restated Certificate of Formation (TX)
19.	Certificate of Fact (TX)
20.	Franchise Tax Account Status
21.	Form W-9

(D) DEBT OBLIGATION ORDER AND ISSUANCE ISSUES

No.	Document
1.	Final Debt Obligation Order
2.	Final Issuance Advice Letter
3.	Waiver from Existing Lenders
	a) JP Morgan
	b) Northwest

ANNEX A

CHAPTER 552, SECTION 0225 OF THE TEXAS PUBLIC INFORMATION ACT

Sec. 552.0225. RIGHT OF ACCESS TO INVESTMENT INFORMATION.

(a) Under the fundamental philosophy of American government described by Section 552.001, it is the policy of this state that investments of government are investments of and for the people and the people are entitled to information regarding those investments. The provisions of this section shall be liberally construed to implement this policy.

(b) The following categories of information held by a governmental body relating to its investments are public information and not excepted from disclosure under this chapter:

- (1) the name of any fund or investment entity the governmental body is or has invested in;
- (2) the date that a fund or investment entity described by Subdivision (1) was established;
- (3) each date the governmental body invested in a fund or investment entity described by Subdivision (1);
- (4) the amount of money, expressed in dollars, the governmental body has committed to a fund or investment entity;
- (5) the amount of money, expressed in dollars, the governmental body is investing or has invested in any fund or investment entity;
- (6) the total amount of money, expressed in dollars, the governmental body received from any fund or investment entity in connection with an investment;
- (7) the internal rate of return or other standard used by a governmental body in connection with each fund or investment entity it is or has invested in and the date on which the return or other standard was calculated;
- (8) the remaining value of any fund or investment entity the governmental body is or has invested in;
- (9) the total amount of fees, including expenses, charges, and other compensation, assessed against the governmental body by, or paid by the governmental body to, any fund or

investment entity or principal of any fund or investment entity in which the governmental body is or has invested;

(10) the names of the principals responsible for managing any fund or investment entity in which the governmental body is or has invested;

(11) each recusal filed by a member of the governing board in connection with a deliberation or action of the governmental body relating to an investment;

(12) a description of all of the types of businesses a governmental body is or has invested in through a fund or investment entity;

(13) the minutes and audio or video recordings of each open portion of a meeting of the governmental body at which an item described by this subsection was discussed;

(14) the governmental body's percentage ownership interest in a fund or investment entity the governmental body is or has invested in;

(15) any annual ethics disclosure report submitted to the governmental body by a fund or investment entity the governmental body is or has invested in; and

(16) the cash-on-cash return realized by the governmental body for a fund or investment entity the governmental body is or has invested in.

(c) This section does not apply to the Texas Mutual Insurance Company or a successor to the company.

(d) This section does not apply to a private investment fund's investment in restricted securities, as defined in Section 552.143.

Added by Acts 2005, 79th Leg., Ch. 1338 (S.B. 121), Sec. 1, eff. June 18, 2005.

ANNEX B

CHAPTER 552, SECTION 143 OF THE TEXAS PUBLIC INFORMATION ACT

Sec. 552.143. CONFIDENTIALITY OF CERTAIN INVESTMENT INFORMATION. (a) All information prepared or provided by a private investment fund and held by a governmental body that is not listed in Section 552.0225(b) is confidential and excepted from the requirements of Section 552.021.

(b) Unless the information has been publicly released, pre-investment and post-investment diligence information, including reviews and analyses, prepared or maintained by a governmental body or a private investment fund is confidential and excepted from the requirements of Section 552.021, except to the extent it is subject to disclosure under Subsection (c).

(c) All information regarding a governmental body's direct purchase, holding, or disposal of restricted securities that is not listed in Section 552.0225(b)(2)-(9), (11), or (13)-(16) is confidential and excepted from the requirements of Section 552.021. This subsection does not apply to a governmental body's purchase, holding, or disposal of restricted securities for the purpose of reinvestment nor does it apply to a private investment fund's investment in restricted securities. This subsection applies to information regarding a direct purchase, holding, or disposal of restricted securities by the Texas growth fund, created under Section 70, Article XVI, Texas Constitution, that is not listed in Section 552.0225(b).

(d) For the purposes of this chapter:

(1) "Private investment fund" means an entity, other than a governmental body, that issues restricted securities to a governmental body to evidence the investment of public funds for the purpose of reinvestment.

(2) "Reinvestment" means investment in a person that makes or will make other investments.

(3) "Restricted securities" has the meaning assigned by 17 C.F.R. Section 230.144(a)(3).

(e) Repealed by Acts 2011, 82nd Leg., 1st C.S., Ch. 4, Sec. 17.05(1), eff. September 28, 2011.

(f) This section does not apply to the Texas Mutual Insurance Company or a successor to the company.

Added by Acts 2005, 79th Leg., Ch. 1338 (S.B. 121), Sec. 2, eff. June 18, 2005.

Amended by:

Acts 2011, 82nd Leg., 1st C.S., Ch. 4 (S.B. 1), Sec. 17.05(1), eff. September 28, 2011.

EXHIBIT A

INVESTMENT CONSIDERATIONS

(appears on immediately following page)

**INVESTMENT CONSIDERATIONS FOR THE PURCHASE OF
TEXAS STABILIZATION M BONDS, SERIES 2021
DATED NOVEMBER 12, 2021**

The following investment considerations (these "**Investment Considerations**") are being provided by the Electric Reliability Council of Texas, Inc. ("**ERCOT**"), a Texas nonprofit corporation, and Texas Electric Market Stabilization Funding M LLC (the "**Issuer**"), a Delaware limited liability company wholly owned and organized by ERCOT, for the sole use and benefit of the Texas Comptroller of Public Accounts (the "**Comptroller**"), an executive branch agency of the State of Texas created pursuant to the Texas Constitution, and the Texas Treasury Safekeeping Trust Company ("**TTSTC**"), as a special purpose trust company created by the Comptroller under the Texas Government Code, Chapter 404, Subchapter G. ERCOT and the Issuer are referred to herein as the "**ERCOT Parties**". The Comptroller and TTSTC are referred to herein collectively as the "**Purchaser**".

These Investment Considerations are being provided by the ERCOT Parties to the Purchaser in connection with the Issuer's offering of its \$800,000,000 principal amount of Texas Stabilization M Bonds, Series 2021 (the "**Bonds**") to the Purchaser. Capitalized terms used herein and not otherwise defined shall have the meaning given in the Bond Purchase Agreement (the "**BPA**") entered into between the ERCOT Parties and the Purchaser relating to the purchase and sale of the Bonds. Capitalized terms not defined herein or the BPA, shall have the meanings assigned to them in the Indenture between the Issuer and the Indenture Trustee.

In addition to these Investment Considerations, the ERCOT Parties have provided written responses to certain due diligence inquiries of the Purchaser, and made certain relevant documents and reports available to the Purchaser through a secure, virtual data room. A comprehensive list of this additional information is provided in Schedule 1.5 to the BPA, and together with these Investment Considerations, are referred to herein as the ("**Disclosure Documents**"). No dealer, broker, salesperson or other person has been authorized by the ERCOT Parties or any of their respective affiliates, to give any information or to make any representations with respect to the Bonds or the Issuer other than those contained in the Disclosure Documents, and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. In making an investment decision, the Purchaser must rely on their examination of the qualifications of the Issuer, the sources of security and payment for the Bonds, and the terms of the offering, including the merits and risks involved. **THE CONTENTS OF THESE INVESTMENT CONSIDERATIONS OR ANY OTHER DISCLOSURE DOCUMENTS ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.**

The Purchaser should carefully consider all the information the ERCOT Parties have included or incorporated by reference before deciding whether to invest in the Bonds. Purchasers of the Bonds may experience material payment delays or incur a loss on their investment in the Bonds because the source of funds for payment is limited. Delays in payment on the Bonds might result in a reduction in the market value of the Bonds.

The only source of security for the Bonds will be the Texas Stabilization M Bond Collateral, as such term is defined in the Servicing Agreement. Other than proceeds or other amounts realized from the Texas Stabilization M Bond Collateral, Default Charges will be the sole source of repayment for the Bonds.

The Bonds will not be insured or guaranteed by ERCOT, including in its capacity as sponsor, depositor, seller or Servicer, or by the Indenture Trustee or any other person or entity. The Bonds will be nonrecourse obligations, secured only by the Texas Stabilization M Bond Collateral. Thus, bondholders must rely for payment of the Bonds solely upon the Securitization Law, state and federal constitutional rights to enforcement of the Securitization Law, the Debt Obligation Order, collections of the Default Charges and funds on deposit in the related accounts held by the Indenture Trustee. If these amounts are not sufficient to make payments or there are delays in recoveries, bondholders may experience material payment delays or a reduction in the value of the Bonds. Our organizational documents restrict our right to acquire other assets unrelated to the transactions described.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

These Investment Considerations and other Disclosure Documents include forward-looking statements, including regarding expectations, estimates and projections about the servicing of the Default Property and collecting the Default Charges, the Issuer's ability to pay interest and principal on the Bonds, and the PUCT's adherence to the State Pledge to protect the rights of bondholders. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will," "are expected to," "will continue," "is anticipated," "believe," "could," "should," "estimated," "may," "plans to," "potential," "projection," "designed to," "intended") are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to important factors included below (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on financial results, and could cause actual results to differ materially from those contained in forward-looking statements made by or on behalf of the ERCOT Parties, in these Investment Considerations, or otherwise in any other Disclosure Documents. The following are some of the factors that could cause actual results to differ from those expressed or implied by forward-looking statements:

- state and federal legislative, judicial and regulatory actions or developments, including deregulation, re-regulation, restructuring of the electric utility industry and changes in, or changes in application of, laws or regulations applicable to various aspects of ERCOT's business;
- changes in market activity within the ERCOT power region;
- weather variations, natural disasters and other natural phenomena, including wildfires, earthquakes, severe storms, floods and other weather-related events affecting market activity within the ERCOT power region, the ability of wholesale market participants to pay Default Charges, or ERCOT's ability to service the Default Property;
- pandemics, such as the novel coronavirus (COVID-19), and other events that cause regional, statewide, national or global disruption which could impact, among other things, market activity within the ERCOT power region;

- the accuracy of the Servicer's forecasts of market activity or the payment of Default Charges;
- the implementation and reliability of the systems, procedures and other infrastructure necessary to operate the Texas electric grid, including the systems owned and operated by wholesale market participants;
- national or regional economic conditions affecting market activity within the ERCOT power region;
- direct or indirect results of cyber-attacks, security breaches or other attempts to disrupt the business of wholesale market participants, ERCOT, and the Issuer;
- other unforeseen circumstances causing financial distress of wholesale market participants; and
- any expectations regarding the outcome of any currently pending litigation or future litigation against or otherwise affecting ERCOT or the Issuer, and the effect of any such litigation on ERCOT's or the Issuer's financial condition or ability to fulfill their respective obligations under the Basic Documents.

Undue reliance should not be placed on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and the ERCOT Parties undertake no obligation to update or revise any forward-looking statement, including unanticipated events, after the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

I. RISKS ASSOCIATED WITH POTENTIAL JUDICIAL, LEGISLATIVE OR REGULATORY ACTIONS

The ERCOT Parties are not obligated to indemnify secured parties for changes in law

Neither the Issuer nor ERCOT will indemnify the Purchaser for any changes in the law, including any federal preemption or repeal or amendment of the Securitization Law, that may affect the value of the Bonds. ERCOT will agree in the Default Property Purchase and Sale Agreement to institute any action or proceeding as may be reasonably necessary to compel performance by the PUCT, the State of Texas or any of their respective agents, of any of their obligations or duties under the Securitization Law, the Debt Obligation Order or the Issuance Advice Letter, and to take such legal or administrative actions as may be reasonably necessary to protect against certain claims or proceedings affecting the Issuer and the Secured Parties. However, ERCOT may not be legally able to take such action and, if ERCOT does take action, such action may not be successful. Although ERCOT or any successor seller might be required to indemnify the Issuer, if legal action based on the law in effect at the time of the issuance of the Bonds invalidates the Default Property, such indemnification obligations do not apply for any changes in law after the date the Bonds are issued, whether such changes in law are effected by means of any legislative enactment, any constitutional amendment or any final and non-appealable judicial decision.

Risks associated with future judicial action

The Default Property is created pursuant to the Securitization Law, the Debt Obligation Order and the Issuance Advice Letter. The Securitization Law, as last amended, became effective on June 16, 2021. ERCOT is the first and only independent organization to issue debt obligations under the Securitization Law.

The Securitization Law or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. In addition, the Debt Obligation Order or any provision thereof might be directly contested in courts or otherwise become the subject of litigation. As of the date hereof, the ERCOT Parties are not aware of any litigation contesting the validity of the Securitization Law or the Debt Obligation Order; however, the ERCOT Parties cannot ensure that a lawsuit challenging the Securitization Law or the Debt Obligation Order might be instituted in the future, and, if filed, that such lawsuit will not be successful. If an invalidation of any relevant underlying legislative provision or the Securitization Law or Debt Obligation Order provision were to result from such litigation, the Purchaser might lose some or all of its investment or experience delays in recovering its investment.

Texas and other states have passed laws permitting the securitization of electrical corporation costs similar to the Securitization Law, such as costs associated with the deregulation of the electric market, environmental control costs or hurricane recovery costs. Some of the laws have been challenged by judicial actions or in utility commission proceedings. To date, none of these challenges have succeeded, but future challenges might be made. An unfavorable decision regarding another state's law would not automatically invalidate the Securitization Law or the Debt Obligation Order, but it might provoke a challenge to the Securitization Law, establish a legal precedent for a successful challenge to the Securitization Law or heighten awareness of the political and other risks of the Bonds, and in that way may limit the liquidity and value of the Bonds. Therefore, legal activity in other states may indirectly affect the value of the Bonds.

If an invalidation of any relevant underlying legislative provision were to result from such litigation, the Purchaser might lose some or all of its investment or experience delays in recovering its investment.

Risks associated with future state legislative action

In the Securitization Law, the State has pledged that it will not take or permit any action that would impair the value of Default Property, or reduce, alter, or impair the Default Charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related debt obligations have been paid and performed in full. Despite the State's pledge in the Securitization Law not to take or permit certain actions that would impair the value of the Default Property or the Default Charges, the Texas Legislature might attempt to repeal or amend the securitization provisions of the Securitization Law in a manner that limits or alters the Default Property so as to reduce its value. To review the State Pledge, please read Section 39.609 of the Texas Utilities Code.

It might be possible for the Texas Legislature to repeal or amend the provisions of the Securitization Law notwithstanding the State's pledge if the legislature acts in order to serve a significant and legitimate public purpose. Any such action, as well as the costly and time-consuming litigation that likely would ensue, might adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average life of the Bonds. Moreover, the outcome of any litigation cannot be

predicted. Accordingly, the Purchaser may incur a loss on or delay in recovery of its investment in the Bonds.

If an action of the Texas Legislature adversely affecting the Default Property or the ability to collect Default Charges were considered a "taking" under the United States or Texas Constitutions, the State of Texas might be obligated to pay compensation for the taking. However, even in that event, there is no assurance that any amount provided as compensation would be sufficient for bondholders to fully recover their investment in the Bonds or to offset interest lost pending such recovery.

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

Risks associated with future actions by the PUCT

The Securitization Law provides that a debt obligation order is irrevocable and not subject to reduction, impairment, or adjustment by further action of the PUCT after the order takes effect. However, the PUCT retains the power to adopt, revise or rescind rules or regulations affecting ERCOT.

The PUCT also retains the power to interpret the Debt Obligation Order and in that capacity might be called upon to rule on the meanings of provisions of the Debt Obligation Order that might need further elaboration. Any new or amended regulations or orders from the PUCT might attempt to affect the ability of the Servicer to collect the Default Charges in full and on a timely basis, any credit rating of the Bonds or their price and, accordingly, the amortization of the Bonds and their weighted average lives.

The Servicer is required to file with the PUCT, on the Issuer's behalf, certain true-up adjustments of the Default Charges as described in the Servicing Agreement. True-up adjustment procedures have been challenged in the past and may be challenged in the future. Challenges to or delays in the true-up process might adversely affect the market perception and valuation of the Bonds. Also, any litigation, as well being costly and time-consuming, might materially delay Default Charge Collections due to delayed implementation of true-up adjustments and might result in missing payments or payment delays and lengthened weighted average life of the Bonds.

Limitations on ERCOT's ability to protect against actions by the PUCT or the State

The Servicer will agree in the Servicing Agreement to take any action or proceeding necessary to compel performance by the PUCT and the State of Texas of any of their obligations or duties under the Securitization Law or the Debt Obligation Order, including any actions reasonably necessary to block or overturn attempts to cause a repeal or modification of the Securitization Law or the Debt Obligation Order. The Servicer, however, may not be able to take those actions for a number of reasons, including due to legal or regulatory restrictions, financial constraints and practical difficulties in successfully challenging any such legislative enactment or constitutional amendment. Additionally, any action the Servicer is able to take may not be successful. Any such failure to perform its obligations or to successfully compel performance by the PUCT or the State of Texas could negatively affect bondholders' rights and result in a loss of their investment.

II. SERVICING RISKS

Risk of inaccurate collection forecasting by the Servicer

The Default Charges are assessed based on a pro rata share of each Qualified Scheduling Entity (QSE)'s and Congestion Revenue Rights (CRR) account holder's respective activity on a megawatt-hour basis. The Default Charges are calculated by the Servicer according to the methodology approved in the Debt Obligation Order and further described in the Servicing Agreement. This methodology entails the allocation of Default Charges as nonbypassable charges among QSEs and CRR account holders. In estimating Default Charges, ERCOT, as Servicer, will take into account over-collections and under-collections when calculating Default Charges. The Servicing Agreement includes safeguards that will enable the Servicer to compensate for under-collections, such as accessing Default Charge Deposits and interim true-up procedures. However, notwithstanding these safeguards, it is possible that there could be temporary shortfalls or delays in Default Charge Collections, which might result in missed or delayed payments of principal and interest on the Bonds.

Changes to billing, collection and posting practices

The Debt Obligation Order specifies the methodology for determining the amount of the Default Charges ERCOT may impose. However, subject to any required PUCT approval, ERCOT may set its own billing, collection and posting arrangements with QSEs and CRR account holders from whom it collects Default Charges, provided that these arrangements comply with any applicable PUCT customer safeguards and the provisions of the Servicing Agreement. Subject to any required PUCT approval, ERCOT may change billing, collection and posting practices, which might adversely impact the timing and amount of customer payments and might reduce Default Charge Collections, thereby limiting our ability to make scheduled payments on the Bonds. Separately, the PUCT might require changes to these practices. Any changes in billing, collection and posting practices or regulations might make it more difficult for ERCOT to collect the Default Charges and adversely affect the value of the Bonds.

ERCOT will look solely to QSEs and CRR account holders for Default Charges.

Because ERCOT financially transacts only with QSEs and CRR account holders, the Debt Obligation Order provides that Default Charges are nonbypassable to all QSEs and CRR account holders representing obligated market participants within the ERCOT power region. Each QSE and CRR account holder must pay the Default Charges on behalf of its obligated market participants whose interests they represent.

ERCOT is entitled to exercise any available remedies and take any action in response to a default on the payment of Default Charges; however, the availability of effective remedies is not known, particularly with respect to wholesale market participants with whom ERCOT does not financially transact. ERCOT may account for payment delinquencies by accessing Default Charge Deposits and making interim true-up adjustments. However, these safeguards may not be adequate for widespread payment delinquencies among many QSEs and CRR account holders.

There is no guaranty that Default Charge Deposits will be available to pay for delinquencies.

ERCOT will require the QSE's and CRR account holders to establish cash deposits or deliver standby letters of credit to secure the payment of 4 months of projected Default Charges, which are referred to in the Servicing Agreement as the Default Charge Deposits. Letters of credit must meet the requirements established by the ERCOT Protocols referenced in the Servicing Agreement. For administrative ease these Default Charge Deposits will not be held with the Indenture Trustee and will not be pledged as part of the Texas Stabilization M Bond Collateral. Instead, the Default Charge Deposits will be held by ERCOT, as Servicer, in accordance with the Servicing Agreement. ERCOT will draw on the Default Charge Deposits only if a QSE or CRR account holder defaults on the payment of invoiced Default Charges. ERCOT's ability to access Default Charge Deposits may be affected by problems affecting the financial institutions as depositories of the cash deposits or as issuers of letters of credit. The Default Charge Deposits may also be invested by the Servicer in Eligible Investments and may therefore be subject to investment losses or liquidity problems (*See "Payment delays due to timing delays in making true-up adjustments" below*). It is also possible that that QSEs or CRR account holders may dispute Default Charges or contest ERCOT's right to access the Default Charge Deposits. Any delay in accessing Default Charge Deposits could result in missed or delayed payments of principal and interest on the Bonds.

Cybersecurity Risks

ERCOT's operations require the continuous availability of critical information technology systems, sensitive customer data and network infrastructure and information, all of which are targets for malicious actors. ERCOT depends on a wide array of vendors to provide it with services and equipment. Malicious actors may attack vendors to disrupt the services they provide to ERCOT, or to use those vendors as a cyber-conduit to attack ERCOT. Additionally, the equipment and material provided by ERCOT's vendors may contain cyber vulnerabilities.

ERCOT's systems have been, and will likely continue to be, subjected to computer attacks of malicious codes, unauthorized access attempts, and other illicit activities, but to date, ERCOT has not experienced a material cybersecurity breach. Though ERCOT actively monitors developments in this area and is involved in various industry groups and government initiatives, no security measures can completely shield its systems and infrastructure from vulnerabilities to cyberattacks, intrusions or other catastrophic events that could result in their failure or reduced functionality.

If ERCOT's information technology and operational technology systems' security measures were to be breached, or a critical system failure were to occur, without timely remediation this could impact ERCOT's ability to timely bill and collect Default Charges or to perform its other obligations under the Servicing Agreement.

Business Interruption Risk

While ERCOT has extensive experience managing and monitoring settlements to QSEs and CRR account holders, ERCOT's operations could nevertheless be impacted by any number of unforeseen events or circumstances beyond its control. Such events may include natural disasters, pandemics, cyber-attacks and other force majeure events. These events could impact ERCOT's ability to timely bill and collect Default Charges or to perform its other obligations under the Servicing Agreement.

The Issuer may experience difficulties finding and using a replacement Servicer.

If ERCOT ceases or is no longer able to service the Default Property related to the Bonds, it may be difficult to find a successor Servicer. As the central clearing agency for all market activity within the ERCOT power region, ERCOT is uniquely qualified to serve as Servicer for the Bonds. Any successor Servicer would need to have similar access to the transactional data managed by ERCOT in order to properly assess and collect Default Charges, and is likely to experience difficulties in collecting Default Charges, determining appropriate adjustments to the Default Charges, and billing and/or payment arrangements may change, resulting in delays or disruptions of collections.

A successor Servicer might not be willing to perform except for fees higher than those approved in the Issuance Advice Letter. Although a true-up adjustment would be permitted to allow for the increase in fees, there could be a gap between the incurrence of those fees and the implementation of a true-up adjustment to adjust for that increase that might adversely affect distributions to bondholders.

In the event of the commencement of a case by or against the Servicer under Title 11 of the United States Code, as amended, of the Bankruptcy Code, or similar laws, the Issuer and the Indenture Trustee might be prevented from effecting a transfer of servicing due to operation of the Bankruptcy Code. Any of these factors might delay the timing of payments and reduce the value of the Bonds.

Changes in market activity may increase charges allotted to remaining wholesale market participants.

Unlike typical utility securitizations, which are secured by tariffs or surcharges assessed by electric utilities to their customers based upon consumption, ERCOT will assess Default Charges to its market participants in its capacity as a clearinghouse. ERCOT generates no profit, but instead acts as a clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT market. In this role, ERCOT settles only with QSEs and CRR account holders. QSEs represent a variety of participants in the ERCOT market, including load-serving entities and resource entities.

Default Charges are assessed to QSEs and CRR account holders based upon their volume of activity in the ERCOT market. This activity includes transactions for the sale and consumption of electricity, as well as trading activity within the ERCOT market. Accordingly, the volume of market activity in each month is well in excess of the actual amount of electricity generated or consumed within the ERCOT power region.

Broader use of distributed generation by customers may result from customers' changing perceptions of the merits of utilizing existing generation technology, tax or other economic incentives or from technological developments resulting in smaller-scale, more fuel efficient, more environmentally friendly and/or more cost-effective distributed generation. Moreover, an increase in distributed generation may result if extreme weather conditions result in shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. More widespread use of distributed generation, particularly battery storage, might reduce the number of customers utilizing market participants for energy needs, thus reducing the volume of market activity.

Because ERCOT controls all transactions within the ERCOT power grid, it is unlikely that any of the above described potential changes in customer behavior will result in a material reduction in the volume of market activity. Any significant decrease in market activity would lead to a corresponding increase in the portion of Default Charges payable by wholesale market participants in relation to gross invoiced amounts.

III. RISKS ASSOCIATED WITH THE COLLECTION OF DEFAULT CHARGES AND POTENTIAL BANKRUPTCY PROCEEDINGS OF THE SELLER OR THE SERVICER

Risks associated with the collection of Default Charges by ERCOT.

ERCOT will remit to the Indenture Trustee the total Default Charge Payments received by the Servicer from QSEs and CRR account holders in accordance with the terms of the Servicing Agreement. The Default Charge Payments will initially be collected by ERCOT, and then remitted on a daily basis to the Collection Account controlled by the Indenture Trustee under the Indenture.

The transfer of the Default Property under the Default Property Purchase and Sale Agreement is expressly stated to be a sale to be treated as an absolute transfer of all of the Seller's right, title and interest in and to (as in a true sale), and not as a pledge or other financing of, the Default Property. (Other considerations regarding the nature of the true sale of the Default Property are discussed in the following disclosures.) Additionally, the Default Property Purchase and Sale Agreement provides that if the transfer of the applicable Default Property is for any reason determined not to be a true sale, then the parties agree that such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Default Property and as the creation of a security interest (within the meaning of the UCC) in the Default Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Default Property to the Issuer, and ERCOT has granted a security interest in the Default Property to the Issuer (and to the Indenture Trustee for the benefit of the Secured Parties) to secure their respective rights under the Basic Documents to receive the Default Charges and all other Default Property.

If the transfer of the Default Property is for any reason for determined not to be a true sale, then as described above, the Issuer would be treated as a secured creditor of ERCOT with a security interest in the Default Property and proceeds thereof. The priority of the Issuer's security interest in the Default Property over other creditors will depend on the successful perfection and continuation of perfection of the Issuer's security interest. In such a case, the Issuer's rights with respect to the Default Property may be significantly impaired if the Default Property loses perfection, as described below.

At the time of the issuance of the Bonds, ERCOT will cause the filing of a financing statement naming ERCOT as the debtor and the Issuer as the secured party and identifying the Default Property and the proceeds thereof as collateral. The filing of a financing statement will only be effective for the perfection of ERCOT's right to invoice and collect Default Charges. Default Charge Payments will be deposited into a general account of ERCOT and will be considered proceeds of the Default Charges within the meaning of the UCC. The UCC provides for the indefinite perfection of Default Charge Payments as proceeds of the Default Charges as long as the Default Charge Payments are clearly identifiable from other amounts. ERCOT has proposed changes to its protocols for the separate invoicing of Default Charges that would cause Default Charge Payments to be clearly identifiable from other funds comingled in ERCOT's account. However, if the Default Charge Payments cannot be clearly identified due to a change in ERCOT's invoicing procedures, recordkeeping failures, or for any other reason, then the Default Charge Payments, as proceeds of the Default Charges, would only remain perfected for 20 days under UCC temporary perfection rules unless transferred into the Collection Account maintained with the Indenture Trustee within such time frame.

Reliance on UCC rules for the perfection of proceeds is a unique risk to the Bonds compared with other utility securitization financing transactions. In other jurisdictions, some securitization laws will

expressly provide that the priority of a lien and security interest perfected in pledged property is not impaired by the commingling of the property with other funds of the servicer. The Securitization Law does not provide for any such treatment for the Default Property. Additionally, other securitization laws extend the effective period for financing statements for the perfection of pledged property for up to 30 years. The Securitization Law provides for no such extension, and therefore, it will be necessary for the Issuer to regularly file continuation statements for the Default Property prior to expiration, at least every five years. The Issuer has covenanted to cause a perfection legal opinion to be delivered to the Indenture Trustee annually to the effect that all filings and other actions necessary to maintain the lien and the perfected security interest in the Default Property have been taken. However, if notwithstanding these precautions, the Issuer fails to maintain a perfected security interest in the Default Charges through the maintenance of proper filings or by any other means, then the Default Charge Payments, as proceeds of the Default Charges, would also lose their perfection under the UCC.

Risks associated with a bankruptcy of ERCOT as the seller of the Default Property.

The Securitization Law provides that Default Property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of default charges depends on further acts of ERCOT or others that have not yet occurred. ERCOT will represent and warrant in the Default Property Purchase and Sale Agreement that (i) upon the effectiveness of the Issuance Advice Letter and transfer of the Default Property, the rights and interests of ERCOT under the Debt Obligation Order, including the right to impose, collect and receive the Default Charges authorized in the Debt Obligation Order, become "default property" as described in Section 39.608 of the Securitization Law; and (ii) the Default Property constitutes a present property right vested in the Issuer. It will be a condition of closing for the sale of the Default Property pursuant to the Default Property Purchase and Sale Agreement that ERCOT will take the appropriate actions under the Securitization Law to consummate this sale.

The transfer of the Default Property under the Default Property Purchase and Sale Agreement is expressly stated to be a sale to be treated as an absolute transfer of all of the Seller's right, title and interest in and to (as in a true sale), and not as a pledge or other financing of, the Default Property (other than for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes). The Issuer and ERCOT will treat such a transaction as a sale under applicable law.

Under Section 541(a) of the Bankruptcy Code, the commencement of a bankruptcy case creates an estate consisting of all the debtor's then owned legal and equitable interests in property. The Bankruptcy Code and applicable federal bankruptcy law govern whether any particular interest in property constitutes property of a debtor's estate. However, state law and other applicable non-bankruptcy law generally define the existence and nature of the debtor's interests in property, and correspondingly, the bankruptcy estate's interests. See *Butner v. United States*, 440 U.S. 48, 54 (1979) ("Congress has generally left the determination of property rights in the assets of a bankrupt's estate to state law.").

In the event of a bankruptcy of ERCOT, the determination of whether ERCOT's bankruptcy estate would include the Default Property depends on the characterization and treatment of the transactions under applicable non-bankruptcy law. If there has been an absolute sale of the Default Property by the Seller to the Buyer, then the Seller would no longer have an interest in the Default Property, and they would not become property of the ERCOT's bankruptcy estate. If, on the other hand, the transactions are characterized as a transfer of the Default Property as security for a loan by the Issuer

to ERCOT, then ERCOT's bankruptcy estate would have an interest in the Default Property and the Issuer would be treated as a creditor of the ERCOT. *See, e.g., In re Carolina Utilities Supply Company, Inc.*, 118 B.R. 412 (Bankr. D.S.C. 1990) (finding that factoring agreement was a secured financing and not a sale and that accounts receivable constituted property of the estate and cash collateral of the seller). A true sale opinion is being delivered at closing opining that the transfer of the Default Property from ERCOT to the Issuer is a true sale under applicable law.

Nonetheless, the Issuer and ERCOT have attempted to mitigate the impact of a possible recharacterization of the sale of Default Property from ERCOT to the Issuer as a financing transaction under applicable creditors' rights principles. The Default Property Purchase and Sale Agreement provides that if the transfer of the applicable Default Property is thereafter recharacterized by the holding of any court of competent jurisdiction not to be a true sale, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Default Property and as the creation of a security interest (within the meaning of the UCC) in the Default Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Default Property to the Issuer, and ERCOT has granted a security interest in the Default Property to the Issuer (and to the Indenture Trustee for the benefit of the Secured Parties) to secure their respective rights under the Basic Documents to receive the Default Charges and all other Default Property. In addition, at the time of the issuance of the Bonds, ERCOT will cause the filing of a financing statement naming ERCOT as the debtor and the Issuer as the secured party and identifying the Default Property and the proceeds thereof as collateral. As a result of this filing, the Issuer would be a secured creditor of ERCOT and entitled to recover against the collateral.

Notwithstanding the efforts of the ERCOT Parties to protect the Default Property from consolidation or from other claims of ERCOT's creditors, these steps may not be completely effective as any determination by a court as to the treatment of the sale of the Default Property depends on a variety of facts and circumstances and there is no controlling legal authority directly on point and the existing statutory and judicial authority is, thus, not conclusive. Moreover, even if a bankruptcy court were to ultimately recognize the sale and transfer of the Default Property as a true sale, the institution of bankruptcy proceedings could lead to material delays in payments of principal or interest on the Bonds and could materially reduce the value of the Bonds.

In the event of a bankruptcy of the ERCOT and a determination that the transfer of the Default Property was not a true sale, but rather a financing, the Issuer would be a creditor of ERCOT and the transfers of the Default Property payments on the Issuer's claim. As such, a party in interest might take the position that the remittance of funds prior to bankruptcy of ERCOT constitutes a preference under bankruptcy. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to ERCOT's bankruptcy estate. Also, the Issuer may be considered an "insider" of ERCOT. If Issuer is considered to be an "insider" of ERCOT, any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. If any funds were required to be returned to the bankruptcy estate of ERCOT, the Issuer would expect that the amount of any future Default Charges would be increased through the statutory true-up mechanism to recover such amount, though this would not eliminate the risk of payment delays or adverse effects on the value of the Bonds.

Risks associated with a bankruptcy of ERCOT as Servicer.

If ERCOT enters bankruptcy proceedings, it might be permitted or ordered to stop acting as Servicer, and it may be difficult to find a third party to act as Servicer. The failure of the Servicer to perform its duties or the inability to find a successor Servicer would likely lead to material delays in payments of principal or interest on the Bonds and could materially reduce the value of the Bonds. Also, the mere fact of a Servicer or seller bankruptcy proceeding might have an adverse effect on the resale market for the Bonds and on the value of the Bonds.

In the event of a bankruptcy of the Servicer, a party in interest might take the position that the remittance of funds prior to bankruptcy of the Servicer, pursuant to the Servicing Agreement to the Trustee under the Trust Indenture, constitutes a preference under bankruptcy law if the remittance of those funds was deemed to be paid on account of a pre-existing debt. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to the bankruptcy estate of the Servicer. To the extent that Default Charges have been commingled with the general funds of the Servicer, the risk that a court would hold that a remittance of funds was a preference would increase. Also, the Issuer may be considered an "insider" of the Servicer. If the Servicer and the Issuer are considered to be "insiders", any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, the Issuer might merely be an unsecured creditor of the Servicer. If any funds were required to be returned to the bankruptcy estate of the Servicer, the Issuer would expect that the amount of any future Default Charges would be increased through the statutory true-up mechanism to recover such amount, though this would not eliminate the risk of payment delays or adverse effects on the value of the Bonds.

IV. OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE BONDS

The Interest Rate on the Bonds is subject to adjustment and is dependent on ERCOT's credit rating.

Pursuant to the Series Supplement for the Bonds, the Initial Interest Rate on the Bonds will be adjusted on January 31, 2025. The interest rate on the Bonds will be calculated on the Reset Date, which is the third anniversary of the date of the issuance of the Bonds, based upon the applicable index rate identified in the Series Supplement for the category corresponding with the then applicable composite credit rating assigned by those of the three major credit rating agencies then rating ERCOT. Accordingly, the interest rate on the Bonds may be reduced if ERCOT's credit rating improves between the time of the issuance of the Bonds and the Conversion Date. The adjusted interest rate will also depend heavily on interest rate fluctuations and other market conditions outside the control of the ERCOT Parties.

Re-amortization of the Bonds

Pursuant to the Series Supplement, principal on the Bonds will be made semi-annually on each Payment Date in an amount equal to the amount set forth in the Expected Amortization Schedule attached to the Series Supplement. The Expected Amortization Schedule is structured as a mortgage-style payment to allow for level debt service payments on the Bonds.

The Expected Amortization Schedule is subject to change. At the time of the adjustment of the interest rate on the Bonds on the Conversion Date, the Expected Amortization Schedule will be restructured as directed by the Issuer, to produce a level annual revenue requirement for the remaining term of the Bonds, taking into account the revised rate of Periodic Interest. Additionally, if a partial redemption of the Bonds should occur, then the Expected Amortization Schedule will be restructured as directed by the Issuer, to produce a level annual revenue requirement for the remaining term of the Bonds, taking into account Periodic Interest.

Limitations on ERCOT's indemnification obligations under the Default Property Purchase and Sale Agreement and Servicing Agreement.

ERCOT is obligated under the Default Property Purchase and Sale Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the bondholders, only in specified circumstances and will not be obligated to repurchase any Default Property in the event of a breach of any of its representations, warranties or covenants regarding the Default Property. Similarly, ERCOT is obligated under the Servicing Agreement to indemnify the Issuer and the Indenture Trustee, for itself and on behalf of the bondholders, only in specified circumstances.

Neither the Indenture Trustee nor the bondholders will have the right to accelerate payments on the Bonds as a result of a breach under the Default Property Purchase and Sale Agreement or Servicing Agreement, absent an event of default under the Indenture relating to the Bonds. Furthermore, ERCOT might not have sufficient funds available to satisfy its indemnification obligations under these agreements, and the amount of any indemnification paid by ERCOT might not be sufficient for bondholders to fully recover their investment in the Bonds.

In addition, if ERCOT becomes obligated to indemnify bondholders, any then-current ratings on the Bonds will likely be downgraded as a result of the circumstances causing the breach and the fact that bondholders will be unsecured creditors of ERCOT with respect to any of these indemnification amounts. ERCOT will not indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Bonds, or for any consequential damages, including any loss of market value of the Bonds resulting from a default or a downgrade of the ratings of the Bonds.

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

Limited effectiveness of foreclosure on the Default Property.

Under the Securitization Law and the Indenture, the Indenture Trustee or the bondholders have the right to foreclose or otherwise enforce the lien on the Texas Stabilization M Bond Collateral. However, in the event of foreclosure, there is likely to be a limited market, if any, for the Default Property, given that the Default Property is serviced by ERCOT, who, as the ERCOT grid operator, is uniquely qualified to assess and collect Default Charges. Therefore, foreclosure may not be a realistic or practical remedy. Moreover, although the principal of the Bonds will be due and payable upon acceleration of the Bonds before maturity, Default Charges likely would not be accelerated, and the principal of the Bonds will only be paid as funds become available.

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

The Bonds are a new issue of unrated securities with no established trading market. They will not be listed on any securities exchange. The Issuer cannot assure bondholders that a liquid trading market will develop for the Bonds. The Bonds may not be traded or sold by the Initial Purchaser, until the Conversion Date, and even then, subject to the conditions set forth in the Series Supplement, including prior notice to the ERCOT Parties, and affording the ERCOT Parties an opportunity to refinance the Bonds.

In order to successfully market or sell the Bonds, the Initial Purchaser may be subject to certain federal and state securities law requirements relating to the disclosure of material facts and information relating to the Bonds. No prospectus has been prepared by the ERCOT Parties, and the ERCOT Parties have not consented to the distribution of the Disclosure Documents in connection with any future sale or transfer of the Bonds. The ERCOT Parties have agreed in the Series Supplement to assist with the preparation of an offering document at the request of the Initial Purchaser in connection with the sale or transfer of the Bonds; however, the facts and circumstances relating to the Bonds may change prior to the time of such anticipated sale or transfer, and it is possible that prospective secondary purchaser of the Bonds may require additional opinions, documentation, certifications relating to the Bonds, or possibly certain amendments to the Basic Documents. Any of these or similar circumstances could affect the timeliness or ability of a bondholder to transfer or sell its Bonds.

Rating changes will affect the market value of the Bonds.

The Bonds will not be rated initially, and the ERCOT Parties make no representation regarding the likelihood of a favorable rating in the future. Additionally, if the Bonds are rated in the future, any subsequent downgrading or change in the outlook of the credit ratings of the Bonds could have an adverse effect on the market value of the Bonds. Credit ratings can change at any time.

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

Payment delays due to timing delays in making true-up adjustments.

As noted herein, there are a variety of causes that could lead to periodic shortfalls in the timely payment of principal and interest on a Payment Date, such as delays in ERCOT's ability to invoice, collect and remit Default Charges, widespread payment defaults, and legal proceedings. Additionally, payment of principal and interest on the Bonds will be made from the Collection Account and Subaccounts established under the Indenture. While the Eligible Investments are traditionally viewed as highly liquid with a low probability of principal loss, invested funds are not entirely immune from losses or liquidity risk.

The Bonds will be secured by certain reserves held by the Indenture Trustee that may be accessed for the payment of principal and interest on the Bonds on each Payment Date if sufficient funds are not available for any reason. In addition to these reserves, ERCOT, as Servicer, has agreed in the Servicing Agreement to implement scheduled and interim true-up adjustments to make up for any payment shortfalls or to replenish reserves. However, the methodology established in the Servicing Agreement will require some forecasting by ERCOT to predict collection and payment shortfalls, and certain shortfalls may be difficult to accurately predict or entirely unforeseeable. Additionally, the process for making true-up adjustments could take 45 days or longer in extenuating circumstances. If true-up adjustments are not timely and accurate, and reserves are not available for any reason, bondholders may experience a delay in payments of principal and interest and a decrease in the value of the Bonds.

[END OF DOCUMENT]

EXHIBIT B

EXPECTED AMORTIZATION SCHEDULE

Date	Bond Payments	Ongoing Costs	Supplemental Capital Subaccount Deposits	Total Nominal Default Charge Requirement	Present Value of Default Charges
8/1/2022	\$21,337,656	\$441,750	\$500,000	\$22,279,406	\$21,811,827.12
2/1/2023	21,484,906	294,500	500,000	22,279,406	21,492,661.10
8/1/2023	21,484,906	294,500	500,000	22,279,406	21,178,165.34
2/1/2024	21,484,906	294,500	500,000	22,279,406	20,868,271.51
8/1/2024	21,484,906	294,500	500,000	22,279,406	20,562,912.26
2/1/2025	21,484,906	294,500	500,000	22,279,406	20,262,021.25
8/1/2025	24,277,287	294,500	500,000	25,071,787	22,341,322.77
2/1/2026	24,277,287	294,500	500,000	25,071,787	21,890,380.92
8/1/2026	24,277,287	294,500	500,000	25,071,787	21,448,540.98
2/1/2027	24,277,287	294,500	500,000	25,071,787	21,015,619.22
8/1/2027	24,277,287	294,500	500,000	25,071,787	20,591,435.65
2/1/2028	24,277,287	294,500	500,000	25,071,787	20,175,813.88
8/1/2028	24,277,287	294,500	500,000	25,071,787	19,768,581.11
2/1/2029	24,277,287	294,500	500,000	25,071,787	19,369,568.01
8/1/2029	24,277,287	294,500	500,000	25,071,787	18,978,608.67
2/1/2030	24,277,287	294,500	500,000	25,071,787	18,595,540.53
8/1/2030	24,277,287	294,500	500,000	25,071,787	18,220,204.32
2/1/2031	24,277,287	294,500	500,000	25,071,787	17,852,443.98
8/1/2031	24,277,287	294,500	500,000	25,071,787	17,492,106.58
2/1/2032	24,277,287	294,500	500,000	25,071,787	17,139,042.31
8/1/2032	24,277,287	294,500	500,000	25,071,787	16,793,104.36
2/1/2033	24,277,287	294,500	500,000	25,071,787	16,454,148.89
8/1/2033	24,277,287	294,500	500,000	25,071,787	16,122,034.97
2/1/2034	24,277,287	294,500	500,000	25,071,787	15,796,624.51
8/1/2034	24,277,287	294,500	500,000	25,071,787	15,477,782.20
2/1/2035	24,277,287	294,500	500,000	25,071,787	15,165,375.46
8/1/2035	24,277,287	294,500	500,000	25,071,787	14,859,274.41
2/1/2036	24,277,287	294,500	500,000	25,071,787	14,559,351.76
8/1/2036	24,277,287	294,500	500,000	25,071,787	14,265,482.82
2/1/2037	24,277,287	294,500	500,000	25,071,787	13,977,545.38
8/1/2037	24,277,287	294,500	500,000	25,071,787	13,695,419.73
2/1/2038	24,277,287	294,500	500,000	25,071,787	13,418,988.57

8/1/2038	24,277,287	294,500	500,000	25,071,787	13,148,136.95
2/1/2039	24,277,287	294,500	500,000	25,071,787	12,882,752.25
8/1/2039	24,277,287	294,500	500,000	25,071,787	12,622,724.14
2/1/2040	24,277,287	294,500	500,000	25,071,787	12,367,944.48
8/1/2040	24,277,287	294,500	500,000	25,071,787	12,118,307.35
2/1/2041	24,277,287	294,500	500,000	25,071,787	11,873,708.94
8/1/2041	24,277,287	294,500	500,000	25,071,787	11,634,047.56
2/1/2042	24,277,287	294,500	500,000	25,071,787	11,399,223.56
8/1/2042	24,277,287	294,500	500,000	25,071,787	11,169,139.29
2/1/2043	24,277,287	294,500	500,000	25,071,787	10,943,699.09
8/1/2043	24,277,287	294,500	500,000	25,071,787	10,722,809.22
2/1/2044	24,277,287	294,500	500,000	25,071,787	10,506,377.83
8/1/2044	24,277,287	294,500	500,000	25,071,787	10,294,314.95
2/1/2045	24,277,287	294,500	500,000	25,071,787	10,086,532.38
8/1/2045	24,277,287	294,500	500,000	25,071,787	9,882,943.74
2/1/2046	24,277,287	294,500	500,000	25,071,787	9,683,464.37
8/1/2046	24,777,287	294,500	0	25,071,787	9,488,011.34
2/1/2047	24,777,287	294,500	0	25,071,787	9,296,503.37
8/1/2047	24,777,287	294,500	0	25,071,787	9,108,860.84
2/1/2048	24,777,287	294,500	0	25,071,787	8,925,005.72
8/1/2048	24,777,287	294,500	0	25,071,787	8,744,861.57
2/1/2049	24,777,287	294,500	0	25,071,787	8,568,353.49
8/1/2049	24,777,287	294,500	0	25,071,787	8,395,408.08