

"sponsor" (the "Sponsor") within the meaning of the Risk Retention Rules and the Issuer shall cause the Sponsor or its Affiliate to (the "Risk Retention Requirements");

- (i) purchase and hold at least five percent (5.0%) of the par value of the Series 2021 Bonds that remain outstanding and take such other actions as the Initial Purchaser may reasonably request to ensure compliance with the Risk Retention Rules, including adjustments to the purchase price;
- (ii) comply with and be solely responsible for compliance with other aspects of the Risk Retention Rules, including, without limitation, if applicable, (A) complying with the post-closing disclosure requirements set forth in Rule 4(c)(2)(ii) of the Risk Retention Rules, (B) complying with the records maintenance requirements set forth in Rule 4(d) of the Risk Retention Rules, and (C) complying with the hedging, transfer and financing prohibitions set forth in Rule 12 of the Risk Retention Rules; and
- (iii) Deliver to the Indenture Trustee an opinion of counsel to the Issuer that the above actions, will cause the then outstanding Series 2021 Bonds to comply with the Risk Retention Rules.

If the Issuer fails to satisfy the Risk Retention Requirements within sixty (60) days of a Risk Retention Event, then the Series 2021 Bonds shall be subject to mandatory redemption by the Issuer in accordance with Section 5(c) of this Supplement.

- (c) *Issuer Capital.* In addition to the Required Capital Level the Issue will have not less than \$4,000,000 of paid in capital on the effective date of this Supplement.

Section 4 Interest Rate Conversion.

- (a) The Series 2021 Bonds shall bear interest at the Initial Interest Rate, up to January 31, 2025 (the "Conversion Date"). From the Conversion Date and continuing until final maturity or prior redemption, the Series 2021 Bonds shall bear interest at a fixed rate per annum equal to the Index (defined below) based on the credit rating of ERCOT, as of the Conversion Date, plus 2.50%.

"Index" means, as of the date that is five (5) Business Days prior to November 12, 2024 (the "Reset Date"), the Refinitiv TM3 Index rate based on the nearest Remaining Average Life of the Series 2021 Bonds for the category corresponding with the then applicable composite credit rating assigned by those of the three major credit rating agencies then rating ERCOT, as set forth below:

ERCOT Composite Credit Rating (Moody's)	Refinitiv TM3 Index Category
Above A1 or equivalent	"Electric Ins"
At or below A1 or equivalent	"A Electric"

- (b) *Exchange of Series 2021 Bonds.* At the request of the Issuer, on the Conversion Date, (i) new Series 2021 Bonds shall be authenticated by the Issuer reflecting the revised fixed rate(s) of interest and any multiple Tranches of Series 2021 Bonds; and (ii) the Initial Purchaser shall relinquish its Series 2021 Bonds in exchange for the new Series 2021 Bonds pursuant to Section 2.05 of the Indenture.

Section 5. Redemption of Series 2021 Bonds.

- (a) *Optional Redemption of Series 2021 Bonds.* Until the third anniversary and so long thereafter as the Series 2021 Bonds shall remain beneficially owned by or registered in the name of the Initial Purchaser, the Series 2021 Bonds shall be subject to optional redemption, in whole or in part, at any time prior to the Final Maturity Date at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.
- (b) *Optional Redemption upon Transfer.* If after the Conversion Date, the Initial Purchaser sells or transfers its interest in all of the Series 2021 Bonds to any other Person, then from and after the date of such transfers the Series 2021 Bonds shall be subject to optional redemption on any Business Day prior to the Final Maturity Date at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, plus the Make-Whole Premium. Calculation of the Make-Whole Premium will be made by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.
- (c) *Mandatory Redemption.* The Series 2021 Bonds shall be subject to mandatory redemption by the Issuer at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium if the Issuer fails to satisfy the Risk Retention Requirements within sixty (60) days of a Risk Retention Event.
- (d) *Notice of Redemption.* Subject to the restrictions set forth in Section 6 hereof, notice of redemption shall be provided to the Holders in accordance with the operational arrangements of the Clearing Agency then in effect, but in any event shall be sent to Holders no less than thirty (30) days but no more than ninety (90) days prior to any proposed Redemption Date. Each such direction from the Issuer shall be given to the Indenture Trustee at least five (5) days prior to the date on which notice of redemption of such Series 2021 Bonds is required to be given to the Holders, or such fewer number of days as shall be acceptable to the Indenture Trustee, accompanied by an Officer's Certificate requesting that the Indenture Trustee give such notice and setting forth the following information to be stated in such notice: (i) the identification of the Series 2021 Bonds, (ii) the Redemption Date, (iii) the redemption price, (iv) if the Series 2021 Bonds are being redeemed in part, the portion of the principal amount of such Series 2021 Bonds to be redeemed and that, after the redemption date upon surrender of such Series 2021 Bonds, a new Series 2021 Bond or Series 2021 Bonds in principal amount equal to the unredeemed portion will be issued in the name of the Holder thereof upon cancellation of the original Series 2021 Bond, (v) the name and address of the paying agent, (vi) that Series 2021 Bonds called for redemption must be surrendered to the paying agent to collect the redemption price, (vii) that, unless the Issuer defaults in making such redemption payment, interest on the Series 2021 Bonds called for redemption ceases to accrue on and after the redemption date, (viii) the paragraph of the Series 2021 Bonds and/or Section of the Indenture pursuant to which the Series 2021 Bonds called for redemption are being redeemed, (ix) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Series 2021 Bonds and (x) any conditions precedent to the redemption.
- (e) *Conditions to Redemption.* Any notice of optional redemption may, at the direction of the Issuer, state (i) that the redemption to be effected is conditioned upon the receipt by the Indenture Trustee on or prior to the Redemption Date of sufficient and legally available funds to pay the applicable redemption price of the Series 2021 Bonds to be redeemed and/or (ii) that the Issuer retains the right to rescind such notice on or prior to the scheduled Redemption Date and that if such funds shall not be so received or shall not be so legally available or if the notice shall be rescinded, such

notice shall be of no force or effect and such Series 2021 Bonds shall not be required to be redeemed. If such notice shall contain such condition(s) and sufficient legally available funds to pay the applicable redemption price of such Series 2021 Bonds shall not be received by the Indenture Trustee on or prior to the Redemption Date or if the notice shall be rescinded on or prior to the Redemption Date, the redemption shall not be made. The Issuer shall provide written notice of the rescission of such notice of redemption to the Indenture Trustee no later than 10:00 a.m. Eastern Time (subject to the Clearing Agency's procedures) on the date of redemption. Upon receipt of such notice of the rescission of such notice of redemption, such notice of redemption shall be automatically rescinded and the redemption of the Series 2021 Bonds shall be automatically rescinded and cancelled, as provided in such notice.

- (f) *Application of Indenture Funds.* Notwithstanding anything in the Indenture to the contrary, on or before the date fixed for redemption of the entire Outstanding Amount of the Series 2021 Bonds (but not in part) (but no earlier than sixty (60) days prior to the proposed Redemption Date) the Issuer may direct the Indenture Trustee in writing to apply moneys in the Collection Account or any Subaccounts thereof, which, together with any additional funds received by the Indenture Trustee shall be sufficient to pay the applicable redemption price of the entire Outstanding Amount of the Series 2021 Bonds on the Redemption Date.
- (g) *Effect of Redemption.* Notice having been given in the manner provided herein, the Series 2021 Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the applicable redemption price, and upon presentation and surrender of the Series 2021 Bonds at the office specified in such notice, unless rescinded. If there shall be called for redemption less than all of the principal of the Series 2021 Bonds, the Issuer shall execute and, at the written request of the Issuer, the Indenture Trustee shall authenticate, upon the surrender of any such Series 2021 Bond, without charge to the Holder thereof, a replacement Series 2021 Bond for the unredeemed balance of the principal amount of the Series 2021 Bond so surrendered.

No later than 11:00 a.m. Eastern Time on the redemption date, the Issuer will deposit with the Indenture Trustee money sufficient to pay the redemption price of, and accrued interest, if any, on all Series 2021 Bonds to be redeemed on that date. The Indenture Trustee will promptly return to the Issuer any money deposited with the Indenture Trustee by the Issuer in excess of the amounts necessary to pay the redemption price of, and accrued interest, if any, on all Series 2021 Bonds to be redeemed.

If, on the Redemption Date, moneys for the redemption of all of the Series 2021 Bonds or portions thereof so called for redemption, together with interest to the Redemption Date, shall be held by the Indenture Trustee so as to be available therefor with the Indenture Trustee by 11:00 a.m. Eastern Time on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Series 2021 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Series 2021 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne interest at had they not been called for redemption.

Section 6. Transfer Restrictions.

- (a) *No Transfer Prior to Conversion Date.* Without the prior written consent of the Issuer, the Series 2021 Bonds shall at all times remain registered with the Initial Purchaser until the Conversion Date, and notwithstanding anything in the Indenture to the contrary, the Indenture Trustee shall not

transfer or exchange the Series 2021 Bonds prior to the Conversion Date without the prior written consent of the Issuer.

- (b) *Transferability Following the Conversion Date.* Following the Conversion Date, and subject to Section 6(c) below, the Initial Purchaser shall be permitted to transfer all or any portion of the Series 2021 Bonds, but only after having given the Issuer and ERCOT forty-five (45) days' prior written notice of the Initial Purchaser's intention to sell all or part of its interest in the Series 2021 Bonds (the "Transfer Notice"). A Transfer Notice may be given to the Issuer and ERCOT before the Conversion Date so long as the effective date is on or after the Conversion Date. The Transfer Notice shall address the following:
 - (i) *Application for Rating.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Initial Purchaser shall determine. The Issuer shall use good faith efforts to cause ratings to be received within ninety (90) days of its receipt of the Transfer Notice. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 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. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
 - (ii) *Offering Memorandum.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall, within 90 days, prepare a private placement memorandum or other offering memorandum for dissemination to potential purchasers of the Series 2021 Bonds, setting forth the terms of the Series 2021 Bonds, the financial information concerning the Issuer and the Texas Stabilization M Bond Collateral, and other information material to an evaluation of the Series 2021 Bonds (the "Offering Memorandum"). All costs relating to the preparation of the Offering Memorandum, including any reasonable costs of the Initial Purchaser, shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture; provided that such costs shall not bear any interest, or include any seller commission or similar cost, which shall be borne solely by the Initial Purchaser.
- (c) *Tolling on Transferability Following the Conversion Date.* Upon receipt of a Transfer Notice as provided in Section 6(b) above, the Initial Purchaser shall not be permitted to sell or transfer all or any portion of the Series 2021 Bonds for an additional sixty (60) days beyond the forty-five (45) day notice period provided for in Section 6(b) if the Issuer provides written notice to the Initial Purchaser no later than fifteen (15) days after receipt of the Transfer Notice of its intention to optionally redeem the Series 2021 Bonds pursuant to Section 5(a) of this Supplement. Should the Issuer fail to redeem the Series 2021 Bonds within such additional sixty (60) day period, then the Initial Purchaser's right to sell or transfer the Series 2021 Bonds shall take effect immediately upon the expiration of such additional 60-day period.
- (d) *Further Limitations on Transfer.* In addition to the limitations set forth above, the following limitations shall apply with respect to the Series 2021 Bonds, unless otherwise expressly consented to by the Issuer, which consent may be granted or withheld at the Issuer's sole and absolute discretion:

- (i) *Authorized Denominations.* The Series 2021 Bonds and any beneficial ownership interests therein may be held only in Minimum Denominations of \$100,000, and integral multiples of \$1,000 in excess thereof.
- (ii) *Investor Qualifications.* Transfers of the Series 2021 Bonds are restricted to investors, each of whom by its purchase of the Series 2021 Bonds represents that:
 - (A) The purchaser is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities and Exchange Commission; and
 - (B) The purchaser (1) is purchasing such Series 2021 Bonds solely for its own account, (2) can bear the economic risk of an investment in the Series 2021 Bonds, (3) has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Series 2021 Bonds, and (4) has made the decision to purchase the Series 2021 Bonds based on its own independent investigation regarding the Series 2021 Bonds and has received the information it considers necessary to make an informed decision to invest in the Series 2021 Bonds.

The Indenture Trustee shall not authenticate or register a Series 2021 Bond unless the above language is included as a legend on such Series 2021 Bond. The Indenture Trustee shall have no duty or responsibility to monitor, inquire, investigate or otherwise determine whether any transferees of the Series 2021 Bonds qualify under these requirements and shall have no liability with respect thereto.

- (iii) *No Registration.* THE SERIES 2021 BONDS SHALL NOT BE REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW.

Section 7. Credit Rating Requirement; Mandatory Put Option.

- (a) *Credit Rating Requirement.* At any time after the third anniversary of issuance of the Series 2021 Bonds and upon the written direction the Holders of not less than a majority of the Outstanding Amount, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Holders of not less than a majority of the Outstanding Amount shall determine. Not later than 90 days after receipt of a written request received from the Holders of a majority of the Series 2021 Bonds the Issuer will cooperate in soliciting a credit rating. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 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. The Issuer shall be responsible for all fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
- (b) *Mandatory Put Option.* If any time after the Conversion Date, but only for so long as the Initial Purchaser is the Holder of the Series 2021 Bonds, at the written request of the Initial Purchaser, the Issuer will use its good faith best efforts to obtain credit ratings on a new series of Texas Stabilization M Bonds, the proceeds of which will be used to refinance the Series 2021 Bonds. If the Issuer is able to obtain "AA(sf)" or better credit ratings from at least two Rating Agencies, and

if the interest rates on this new series of Texas Stabilization M Bonds, based on those credit ratings, are expected to be 1.00% or more lower than the re-set rates on the existing Series 2021 Bonds, the Issuer will redeem the Series 2021 Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption in the manner set forth in Section 5 hereof, and finance the payment of that redemption price through a new series of Texas Stabilization M Bonds. The Issuer shall use good faith efforts to cause ratings to be received within 90 days of its receipt of such notice, and to cause such refinancing Texas Stabilization M Bonds to be issued as soon as reasonably possible following the receipt of such favorable credit ratings. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such ratings shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 8. General Provisions.

- (a) *Certain Defined Terms.* Article I of the Indenture provides that the meanings of certain defined terms used in the Indenture shall be as defined in Appendix A to the Indenture. Additionally, Article II of the Indenture provides certain terms will have the meanings specified in the related Series Supplement. With respect to the Series 2021 Bonds, the following definitions shall apply:
- (i) "Annual Supplemental Capital Subaccount Deposits" has the meaning given in Section 3(a) of this Supplement.
 - (ii) "Called Bonds" means the Outstanding Amount of all or any portion of the Series 2021 Bonds that have been called for redemption by the Issuer and subject to the Make-Whole Premium pursuant to Section 5(b) of this Supplement.
 - (iii) "Conversion Date" has the meaning set forth in Section 4(a) of this Supplement.
 - (iv) "Debt Service Reserve Requirement" has the meaning set forth in Section 2(c)(ii) of this Supplement.
 - (v) "Discounted Value" means, with respect to the Called Bonds, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Bonds from their respective scheduled due dates to the Redemption Date of such Called Bonds, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Called Bonds is payable) equal to the Reinvestment Yield with respect to such Called Bonds.
 - (vi) "Expected Amortization Schedule" has the meaning set forth in Section 2(d) of this Supplement.
 - (vii) "Final Maturity Date" means the final maturity date of the Series 2021 Bonds set forth in Section 2(a) of this Supplement.
 - (viii) "Index" has the meaning set forth in Section 4(a) of this Supplement.
 - (ix) "Initial Interest Rate" means the initial interest rate of the Series 2021 Bonds set forth in Section 2(a) of this Supplement.
 - (x) "Initial Payment Date" has the meaning set forth in Section 2(c) of this Supplement.

- (xi) "Initial Purchaser" has the meaning set forth in Section 2(b) of this Supplement.
- (xii) "Make-Whole Premium" means, with respect to the Series 2021 Bonds, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to such Called Bonds, over the Outstanding Amount of such of the Called Bonds to be redeemed; *provided* that the Make-Whole Premium may in no event be less than zero.
- (xiii) "Minimum Denomination" shall mean \$100,000 or integral multiples of \$1,000 in excess thereof, except for one bond of each tranche which may be of a smaller denomination.
- (xiv) "Offering Memorandum" has the meaning set forth in Section 6(b)(ii) of this Supplement.
- (xv) "Payment Date" has the meaning set forth in Section 2(c) of this Supplement.
- (xvi) "Periodic Interest" has the meaning set forth in Section 2(c) of this Supplement.
- (xvii) "PLR" has the meaning given in Section 3(a) of this Supplement.
- (xviii) "Redemption Date" means any date on which all or any portion of the Series 2021 Bonds are to be redeemed in accordance with the terms of this Supplement.
- (xix) "Reinvestment Yield" means, with respect to the Called Bonds, 0.20% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Redemption Date with respect to such Called Bonds, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Bonds as of such Redemption Date; or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Redemption Date of such Called Bonds, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of the Called Bonds as of such Redemption Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the Series 2021 Bonds.

- (xx) "Remaining Average Life" means, as of the given date, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Bonds into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payments with respect to such Called Bonds by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date

with respect to such Called Bonds and the scheduled due date of such Remaining Scheduled Payment.

- (xxi) "Remaining Scheduled Payments" means, with respect to the Called Bonds, all payments of such Called Bonds and interest thereon that would be due after the Redemption Date based on the Expected Amortization Schedule in effect as of the Redemption Date.
- (xxii) "Required Capital Level" has the meaning given in Section 3(a) of this Supplement.
- (xxiii) "Reserved Proceeds" has the meaning set forth in Section 2(e)(i) of this Supplement.
- (xxiv) "Reserved Proceeds Account" has the meaning set forth in Section 2(f)(i) of this Supplement.
- (xxv) "Series 2021 Bond Purchase Agreement" shall mean the Bond Purchase Agreement among the Initial Purchaser, the Issuer and ERCOT, dated November 12, 2021.
- (xxvi) "Series 2021 Bonds" has the meaning set forth on page 1 of this Supplement.
- (xxvii) "Series 2021 Bonds Issuer Order" has the meaning set forth on page 1 of this Supplement.
- (xxviii) "Texas Stabilization M Bond Collateral" has the meaning set forth on page 2 of this Supplement.
- (xxix) "Texas Stabilization N Bonds" has the meaning set forth in Section 2(f)(i) of this Supplement.
- (xxx) "Transfer Notice" has the meaning set forth in Section 6(b) of this Supplement.
- (b) *Delivery and Payment for the Series 2021 Bonds; Form of the Series 2021 Bonds.* The Indenture Trustee shall deliver the Series 2021 Bonds to the Initial Purchaser when authenticated in accordance with Section 2.03 of the Indenture. The Series 2021 Bonds shall be in the form of Exhibit A attached hereto.
- (c) *Notices and Reports Deliverable to the Initial Purchaser.* For so long as the Series 2021 Bonds shall remain beneficially owned by or registered in the name of the Initial Purchaser, the Issuer shall cause any and all notices and reports required to be delivered to the Indenture Trustee under the Basic Documents to also be delivered to the Initial Purchaser.
- (d) *Ratification of Agreement.* As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed, and the Indenture, as so supplemented by this Supplement, shall be read, taken, and construed as one and the same instrument. This Supplement amends, modifies and supplements the Indenture only in so far as it relates to the Series 2021 Bonds.
- (e) **GOVERNING LAW. THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS**

WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

- (f) *Conflicting Provisions.* If any term or provision contained in this Supplement shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement shall govern.
- (g) *No Recourse to Issuer.* Notwithstanding any provision of the Indenture or this Supplement to the contrary, Holders shall look only to the Texas Stabilization M Bond Collateral with respect to any amounts due to the Holders hereunder and under the Texas Stabilization M Bonds and, in the event such Texas Stabilization M Bond Collateral is insufficient to pay in full the amounts owed on the Texas Stabilization M Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.
- (h) *Counterparts.* This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement to be duly executed by their duly authorized officers as of the day and year first above written.

ISSUER:

**Texas Electric Market Stabilization Funding M
LLC**, a Delaware limited liability company

By: _____
Sean Taylor
Vice President & Chief Financial Officer

TRUSTEE:

U.S. Bank National Association, as Trustee

By: _____
Name: _____
Title: _____

*Signature Page to
Series Supplement (Series 2021 Subchapter M Bonds)*

**SCHEDULE A
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

SCHEDULE B
SCHEDULE OF ANNUAL SUPPLEMENTAL CAPITAL SUBACCOUNT DEPOSITS

Deposit Year (Beginning Feb. 1)	Annual Capital Subaccount Deposit	Required Capital Level
2023	\$1,000,000	\$1,000,000
2024	\$1,000,000	\$2,000,000
2025	\$1,000,000	\$3,000,000
2026	\$1,000,000	\$4,000,000
2027	\$1,000,000	\$5,000,000
2028	\$1,000,000	\$6,000,000
2029	\$1,000,000	\$7,000,000
2030	\$1,000,000	\$8,000,000
2031	\$1,000,000	\$9,000,000
2032	\$1,000,000	\$10,000,000
2033	\$1,000,000	\$11,000,000
2034	\$1,000,000	\$12,000,000
2035	\$1,000,000	\$13,000,000
2036	\$1,000,000	\$14,000,000
2037	\$1,000,000	\$15,000,000
2038	\$1,000,000	\$16,000,000
2039	\$1,000,000	\$17,000,000
2040	\$1,000,000	\$18,000,000
2041	\$1,000,000	\$19,000,000
2042	\$1,000,000	\$20,000,000
2043	\$1,000,000	\$21,000,000
2044	\$1,000,000	\$22,000,000
2045	\$1,000,000	\$23,000,000
2046	\$1,000,000	\$24,000,000

EXHIBIT A
FORM OF SERIES 2021 BOND

THIS SERIES 2021 BOND HAS NOT BEEN REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE AGENCY OR REGULATORY AUTHORITY UNDER ANY APPLICABLE SECURITIES LAWS OF ANY STATE. THIS SERIES 2021 BOND MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED ONLY TO QUALIFIED INSTITUTIONAL BUYERS THIS SERIES 2021 BOND IS ISSUABLE AND TRANSFERRABLE ONLY IN DENOMINATIONS OF \$100,000 OR INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. TRANSFERS OF THIS SERIES 2021 BOND, INCLUDING ANY BENEFICIAL OWNERSHIPS INTERESTS HEREIN, ARE RESTRICTED TO INVESTORS, EACH OF WHOM BY ITS PURCHASE OF THIS BOND, REPRESENT THAT: (A) THE PURCHASER IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED UNDER RULE 144A OF THE SECURITIES AND EXCHANGE COMMISSION; AND (B) THE PURCHASER (1) IS PURCHASING THIS SERIES 2021 BOND SOLELY FOR ITS OWN ACCOUNT, (2) CAN BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE SERIES 2021 BONDS, (3) HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF PURCHASING THIS SERIES 2021 BOND, AND (4) HAS MADE THE DECISION TO PURCHASE THIS SERIES 2021 BOND BASED ON ITS OWN INDEPENDENT INVESTIGATION REGARDING THIS SERIES 2021 BOND AND HAS RECEIVED THE INFORMATION IT CONSIDERS NECESSARY TO MAKE AN INFORMED DECISION TO INVEST IN THIS SERIES 2021 BOND.

TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC
TEXAS STABILIZATION M BONDS,
SERIES 2021

NO.: R-_____ \$

REGISTERED OWNER: _____ CUSIP NO. _____

Authentication Date (date of delivery)	Initial Interest Rate	Final Maturity Date
_____, _____	_____%	_____, _____

Reference is made to the further provisions of this Series 2021 Bond set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Series 2021 Bond. See the reverse hereof for certain definitions.

Texas Electric Market Stabilization Funding M LLC, a Delaware limited liability company (herein referred to as the "Issuer"), for value received, hereby promises to pay to the above described registered owner, or registered assigns, the Original Principal Amount shown above in semi-annual installments on the Payment Dates and in the amounts specified on the reverse hereof or, if less, the amounts determined pursuant the Indenture, in each year, commencing on the date determined as provided on the reverse hereof and ending on or before the Final Maturity Date shown above and to pay interest, at the Initial Interest Rate shown above, on Payment Dates commencing on the Initial Payment Date and continuing until the earlier of the payment in full of the principal hereof and the Final Maturity Date. Interest on this Series 2021 Bond will accrue for each Payment Date from the most recent Payment Date on which interest has been paid to

but excluding such Payment Date or, if no interest has yet been paid, from the date of issuance. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Such principal of and interest on this Series 2021 Bond shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this Series 2021 Bond is payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Series 2021 Bond shall be applied first to interest due and payable on this Series 2021 Bond as provided above and then to the unpaid principal of and premium, if any, on this Series 2021 Bond, all in the manner set forth in the Indenture.

THE HOLDER OF THIS BOND, BY ACCEPTING THIS BOND, HEREBY COVENANTS AND AGREES, AND EACH OWNER OF A SECURITY ENTITLEMENT HERETO, BY ACCEPTING SUCH SECURITY ENTITLEMENT, IS DEEMED TO COVENANT AND AGREE, THAT THEY SHALL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR AND ONE DAY AFTER THE TERMINATION OF THE INDENTURE, ACQUIESCE, PETITION OR OTHERWISE INVOKE OR CAUSE THE ISSUER OR ANY MANAGER TO INVOKE THE PROCESS OF ANY COURT OR GOVERNMENT AUTHORITY FOR THE PURPOSE OF COMMENCING OR SUSTAINING A CASE AGAINST THE ISSUER UNDER ANY INSOLVENCY LAW OR APPOINTING A RECEIVER, LIQUIDATOR, ASSIGNEE, TRUSTEE, CUSTODIAN, SEQUESTRATOR OR OTHER SIMILAR OFFICIAL OF THE ISSUER OR ANY SUBSTANTIAL PART OF ITS RESPECTIVE PROPERTY, OR ORDERING THE DISSOLUTION, WINDING UP OR LIQUIDATION OF THE AFFAIRS OF THE ISSUER. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO THE ISSUER WHICH IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW, OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION WHICH IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

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, THIS BOND.

THE PRINCIPAL OF THIS TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC TEXAS STABILIZATION M BONDS, SERIES 2021 BOND (THIS "SERIES 2021 BOND") WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS SERIES 2021 BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ALL OBLIGATIONS OF THE ISSUER RELATING TO THE SERIES 2021 BONDS UNDER THE TERMS OF THE INDENTURE WILL BE RELEASED AND DISCHARGED UPON PAYMENT IN FULL HEREOF OR AS OTHERWISE PROVIDED IN THE INDENTURE. THE HOLDER OF THIS SERIES 2021 BOND HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE WHICH IS ONE (1) YEAR AND ONE (1) DAY AFTER THE PAYMENT IN FULL OF THIS SERIES 2021 BOND, IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY OTHER PERSON IN INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANIZATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDINGS OR OTHER SIMILAR PROCEEDING UNDER THE LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED

TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO THE ISSUER WHICH IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW, OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION WHICH IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Series 2021 Bond shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Responsible Officer.

Date:

ISSUER:

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

By:

Name:

Title:

[SIGNATURE PAGE TO SERIES 2021 BOND]

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is a Series 2021 Bond, designated above and referred to in the within-mentioned Indenture.

Date:

INDENTURE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
a National Banking Association

By: _____
Authorized Signatory

REVERSE OF TEXAS STABILIZATION M BOND

This Texas Electric Market Stabilization Funding M LLC Texas Stabilization M Bond, Series 2021 Bond is one of a duly authorized issue of the Issuer (the "Series 2021 Bonds"), issued under that certain Indenture dated as of November 12, 2021, (as supplemented by the Series Supplement (as defined below), the "Indenture"), between the Issuer and U.S. Bank National Association in its capacity as indenture trustee (the "Indenture Trustee", which term includes any successor indenture trustee under the Indenture) and in its separate capacity as a securities intermediary (the "Securities Intermediary", which term includes any successor securities intermediary under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Series 2021 Bonds. For purposes herein, "Series Supplement" means that certain Series Supplement dated as of November [__], 2021 between the Issuer and the Indenture Trustee. All terms used in this Series 2021 Bond that are defined in the Indenture, as amended, restated, supplemented or otherwise modified from time to time, shall have the meanings assigned to such terms in the Indenture.

The Series 2021 Bonds, the other future series or tranches of Issuer's Texas Stabilization M Bonds issued under the Indenture (all of such series being referred to herein as "Texas Stabilization M Bonds") are and will be equally and ratably secured by the Texas Stabilization M Bond Collateral pledged as security therefor as provided in the Indenture and in the Series Supplement.

The principal of this Series 2021 Bond shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding principal balance thereof on the preceding Payment Date (after giving effect to all payments of principal, if any, made on the preceding Payment Date) has been reduced to the principal balance specified in the Expected Amortization

Schedule which is attached to the Series Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Bondholders representing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds have declared the Texas Stabilization M Bonds to be immediately due and payable in accordance the Indenture (unless such declaration shall have been rescinded and annulled in accordance the Indenture). However, actual principal payments may be made in lesser than expected amounts and at later than expected times as determined pursuant to the Indenture. The entire unpaid principal amount of this Series 2021 Bond shall be due and payable on the Final Maturity Date hereof. Notwithstanding the foregoing, the entire unpaid principal amount of Texas Stabilization M Bonds shall be due and payable, if not then previously paid, on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Holders of the Texas Stabilization M Bonds representing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds have declared the Texas Stabilization M Bonds to be immediately due and payable in the manner provided in the Indenture (unless such declaration shall have been rescinded and annulled in accordance with the Indenture). All principal payments on the Series 2021 Bonds shall be made pro rata to the Holders entitled thereto based on the respective principal amounts of the Series 2021 Bonds held by them.

Payments of interest on this Series 2021 Bond due and payable on each Payment Date, together with the installment of principal or premium, if any, shall be made by wire transfer to an account maintained by the Person whose name appears as the Registered Owner of this Series 2021 Bond (or one or more Predecessor Texas Stabilization M Bonds) on the Texas Stabilization M Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Indenture or the Series Supplement, except that while this

Series 2021 Bond is held in Book-Entry Form, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global Texas Stabilization M Bond evidencing this Series 2021 Bond unless and until such Global Texas Stabilization M Bond is exchanged for Definitive Texas Stabilization M Bonds (in which event payments shall be made as provided above), and except for the final installment of principal and premium, if any, payable with respect to this Series 2021 Bond on a Payment Date which shall be payable as provided below. Any reduction in the principal amount of this Series 2021 Bond (or any one or more Predecessor Texas Stabilization M Bonds) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Series 2021 Bond and of any Texas Stabilization M Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Series 2021 Bond on a Payment Date, then the Indenture Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Registered Owner hereof as of the Record Date preceding such Payment Date by notice mailed no later than five (5) days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of this Series 2021 Bond and shall specify the place where this Series 2021 Bond may be presented and surrendered for payment of such installment.

The Issuer shall pay interest on overdue installments of interest at the Texas Stabilization M Bond Interest Rate to the extent lawful.

This Series 2021 Bond is a "debt obligation" as such term is described in the Securitization Law. Principal and interest due and payable on this Series 2021 Bond are a nonrecourse debt secured solely by Default Property created and established by the Debt Obligation Order obtained from the Public Utilities Commission of Texas pursuant to the Securitization Law. Default Property consists of the rights and interests of the Seller in the Debt Obligation Order, including the

right to impose, collect and receive certain charges (defined in the Securitization Law as "default charges") to be assessed and collected from QSEs and CRR account holders, or their successors or assigns, as more fully described in the Debt Obligation Order.

The Securitization Law provides that: "The state pledges, however, for the benefit and protection of financing parties and [ERCOT] 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. Any party issuing a debt obligation under [the Securitization Law] is authorized to include this pledge in any documentation relating to the obligation."

The Securitization Law further provides that: "Debt obligations issued pursuant to [the Securitization Law], including any bonds, are not a debt or obligation of the state and are not a charge on its full faith and credit or taxing power."

The Issuer hereby acknowledges that the purchase of this Series 2021 Bond by the Holder hereof or the purchase of any beneficial interest herein by any Person are made in reliance on the foregoing pledge.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Series 2021 Bond may be registered on the Texas Stabilization M Bond Register upon surrender of this Series 2021 Bond for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by (A) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an institution which is a member of one of the following recognized Signature Guaranty Programs: (I) The Securities Transfer Agent Medallion Program (STAMP); (II) The New York Stock Exchange Medallion Program (MSP); (III) The Stock Exchange

Medallion Program (SEMP); or (IV) in such other guarantee program acceptable to the Indenture Trustee, and (B) such other documents as the Indenture Trustee may require, and thereupon one or more new Series 2021 Bond of Minimum Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Series 2021 Bond, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange, other than exchanges pursuant to the terms of the Indenture not involving any transfer.

Each Texas Stabilization M Bond holder, by acceptance of a Texas Stabilization M Bond, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the Texas Stabilization M Bonds or under the Indenture or any certificate or other writing delivered in connection therewith, against (I) any owner of a membership interest in the Issuer (including ERCOT) or (II) any shareholder, partner, owner, beneficiary, agent, officer or employee of the Indenture Trustee, the Managers or any owner of a membership interest in the Issuer (including ERCOT) in its respective individual or corporate capacities, or of any successor or assign of any of them in their individual or corporate capacities, except as any such Person may have expressly agreed in writing. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.

Prior to the due presentment for registration of transfer of this Series 2021 Bond, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Series 2021 Bond is registered (as of the day of determination) as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Series 2021 Bond and for all other purposes whatsoever, whether or not this Series 2021 Bond

be overdue, and neither the Issuer, the Indenture Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Texas Stabilization M Bonds under the Indenture at any time by the Issuer with the consent of the Bondholders representing not less than a majority of the Outstanding Amount of all Texas Stabilization M Bonds at the time outstanding of each Tranche to be affected. The Indenture also contains provisions permitting the Bondholders representing specified percentages of the Outstanding Amount of the Texas Stabilization M Bonds, on behalf of the Holders of all the Texas Stabilization M Bonds, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Series 2021 Bond (or any one of more Predecessor Texas Stabilization M Bonds) shall be conclusive and binding upon such Holder and upon all future Holders of this Series 2021 Bond and of any Texas Stabilization M Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Series 2021 Bond. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the Texas Stabilization M Bonds issued thereunder.

The Indenture contains provisions for defeasance at any time of (A) the entire indebtedness of the Issuer on this Series 2021 Bond and (B) certain restrictive covenants and the related Events of Default, upon compliance by the Issuer with certain conditions set forth herein, which provisions apply to this Series 2021 Bond.

The term "Issuer" as used in this Series 2021 Bond includes any successor to the Issuer under the Indenture. The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the

Indenture Trustee and the Bondholders under the Indenture.

This Series 2021 Bond is issuable only in registered form in denominations as provided in the Indenture and the Series Supplement subject to certain limitations therein set forth.

THIS SERIES 2021 BOND, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

No reference herein to the Indenture and no provision of this Series 2021 Bond or of the Indenture shall alter or impair the obligation,

which is absolute and unconditional, to pay the principal of and interest on this Series 2021 Bond at the times, place, and rate, and in the coin or currency herein prescribed.

The Issuer and the Indenture Trustee, by entering into the Indenture, and the Holders and any Persons holding a beneficial interest in any Series 2021 Bond, by acquiring Series 2021 Bond or interest therein, (I) express their intention that, solely for the purpose of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for the purpose of state, local and other taxes, this Series 2021 Bond qualifies under applicable tax law as indebtedness of the sole owner of the Issuer secured by the Texas Stabilization M Bond Collateral and (II) solely for purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of Series 2021 Bond is outstanding, agree to treat this Series 2021 Bond as indebtedness of the sole owner of the Issuer secured by the Texas Stabilization M Bond Collateral unless otherwise required by appropriate taxing authorities.

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FORM OF ASSIGNMENT

The following abbreviations, when used in the inscription of the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS
MIN ACT - _____ Custodian
(Custodian) (Minor)
Under Uniform Gifts to Minor Act (_____) (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

Name of Assignee:

Address of Assignee:

Taxpayer ID of Assignee:

This Series 2021 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Series 2021 Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature

NOTICE: The signature to this Assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular word without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: The signature to this Assignment must be guaranteed by an institution that is a participant in (i) The Securities Transfer Agent Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Program (MSP), (iii) the Stock Exchange Medallion Program (SEMP) or (iv) such other guarantee program acceptable to the Indenture Trustee.

ATTACHMENT 2

[Copy of 2021 Series Supplement follows this page.]

SERIES SUPPLEMENT

Relating to

Texas Electric Market Stabilization Funding M LLC
Texas Stabilization M Bonds,
Series 2021

THIS SERIES SUPPLEMENT is dated as of November 12, 2021 (this "Supplement"), by and between Texas Electric Market Stabilization Funding M LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank National Association, in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of November 12, 2021, by and between the Issuer and the Indenture Trustee, and in its separate capacity as a securities intermediary (the "Indenture"). Capitalized terms used herein and not otherwise defined shall have their meanings given in the Indenture.

BY ITS ISSUER ORDER adopted by the Issuer on November 12, 2021 (the "Series 2021 Bonds Issuer Order"), the Issuer has duly authorized the creation and issuance of Texas Stabilization M Bonds in the original principal amount of \$800,000,000, to be designated as its "Texas Stabilization M Bonds, Series 2021" (the "Series 2021 Bonds").

ACCORDINGLY, pursuant to Section 9.01 of the Indenture, which provides, among other things, that the Issuer and the Indenture Trustee may at any time enter into an indenture supplemental to the Indenture for the purposes of authorizing the issuance by the Issuer of Texas Stabilization M Bonds and specifying the terms thereof, the Issuer and the Indenture Trustee do hereby enter into this Supplement in connection with the issuance of the Series 2021 Bonds.

GRANTING CLAUSE

With respect to the Series 2021 Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the Series 2021 Bonds, all of the Issuer's right, title and interest (whether now owned or hereafter acquired or arising) in and to (a) the Default Property created under and pursuant to the Debt Obligation Order, and transferred by the Seller to the Issuer pursuant to the Sale Agreement (including, to the fullest extent permitted by law, the right to impose, collect and receive Default Charges, all revenues, collections, claims, rights, payments, money or proceeds of or arising from the Default Charges authorized in the Debt Obligation Order and any contractual rights to collect such Default Charges from QSE and CRR account holders applicable to each Obligated MP); (b) all Default Charges related to the Default Property; (c) the Sale Agreement and the Bill of Sale executed in connection therewith and all property and interests in property transferred under the Sale Agreement and the Bill of Sale with respect to the Default Property and the Series 2021 Bonds; (d) the Servicing Agreement, the Administration Agreement and any subservicing, agency, administration or collection agreements executed in connection therewith, to the extent related to the foregoing Default Property and the Series 2021 Bonds; (e) the Collection Account, all subaccounts thereof and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all Financial Assets and securities entitlements carried therein or credited thereto; (f) all rights to compel the Servicer to file for and obtain adjustments to the Default Charges in accordance with Section 39.606 of the Securitization Law and the Debt Obligation Order; (g) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Default Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property; (h) all accounts, chattel paper, deposit accounts, documents, general

intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing; and (i) all payments on or under, and all proceeds in respect of, any or all of the foregoing (collectively, the "Texas Stabilization M Bond Collateral"); it being understood that the following do not constitute Texas Stabilization M Bond Collateral: (i) cash that has been released following retirement of all Outstanding Series 2021 Bonds, and cash that has been released pursuant to Section 8.02(c)(xiv) of the Indenture, (ii) amounts in the Reserved Proceeds Account, and (iii) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the Series 2021 Bonds (together with any interest earnings thereon), it being understood that such amounts described in clauses (i) through (iii) above shall not be subject to Section 3.17 of the Indenture.

The foregoing Grant is made in trust to secure the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the Series 2021 Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee equally and ratably without prejudice, priority or distinction, except as expressly provided in the Indenture, to secure compliance with the provisions of the Indenture with respect to the Series 2021 Bonds, all as provided in the Indenture and to secure the performance by the Issuer of all of its obligations under the Indenture. The Indenture and this Supplement constitute a security agreement under the UCC to the extent that the provisions of the UCC are applicable hereto.

The Indenture Trustee, as indenture trustee on behalf of the Secured Parties of the Series 2021 Bonds, acknowledges such Grant and accepts the trusts under this Supplement and the Indenture in accordance with the provisions of this Supplement and the Indenture.

Section 1. Designation of Series 2021 Bonds. The Series 2021 Bonds authorized by the Issuer pursuant to the Series 2021 Bonds Issuer Order shall be issued as a single series of Texas Stabilization M Bonds under the Indenture and designated as the Issuer's "Texas Stabilization M Bonds, Series 2021".

Section 2. Terms of the Series 2021 Bonds, Authentication and Registration, Payment Dates, Expected Amortization Schedule for Principal, Periodic Interest, and Application of Proceeds.

- (a) *Terms of the Series 2021 Bonds.* The Series 2021 Bonds shall be issued as one or more fully registered, Global Bonds to DTC, the securities depository for the Series 2021 Bonds, in the name of Cede & Co., as nominee for DTC. The Series 2021 Bonds shall be issued as of the authentication date, in the original principal amount, bear interest at the Initial Interest Rate, and mature at the Final Maturity Date set forth below:

Authentication Date (date of delivery)	Original Principal Amount	Initial Interest Rate	Final Maturity Date
November 12, 2021	\$800,000,000	2.97%	August 1, 2051

- (b) *Authentication; Book-Entry Registration; CUSIPs.* The Series 2021 Bonds shall be executed and delivered to Cede & Co. on the Authentication Date. The Series 2021 Bonds shall be registered as Book-Entry Texas Stabilization M Bonds in accordance with Section 2.11 of the Indenture in the name of Cede & Co., as nominee of DTC, who shall serve as the Clearing Agency for the Series 2021 Bonds. Rule 144A CUSIPs will be obtained for the Series 2021 Bonds upon closing. The principal, redemption premium, if any, and interest on the Series 2021 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Section 2.11 of the Indenture shall apply to the Series 2021 Bonds.

- (c) *Payment Dates.* The Payment Dates for the Series 2021 Bonds are February 1 and August 1 of each year (each a "Payment Date"), commencing on August 1, 2022 (the "Initial Payment Date") and continuing until the repayment of the Series 2021 Bonds in full.
- (d) *Expected Amortization Schedule for Principal.* Unless an Event of Default shall have occurred and be continuing, on each Payment Date, the Indenture Trustee shall distribute to the Holders of record as of the related Record Date amounts payable pursuant to Section 8.02(c) of the Indenture as principal, the amount necessary to reduce the Outstanding Amount of the Series 2021 Bonds to the amount specified in the Expected Amortization Schedule set forth on Schedule A attached hereto (the "Expected Amortization Schedule") for such Payment Date until the Outstanding Amount of the Series 2021 Bonds has been reduced to zero. On the Conversion Date set forth in Section 4 below, the Expected Amortization Schedule shall be restructured as directed by the Issuer, to produce a level annual revenue requirement for the remaining term of the Series 2021 Bonds, taking into account the revised rate of Periodic Interest. If a partial redemption of the Series 2021 Bonds shall occur while the Series 2021 Bonds are registered with the Initial Purchaser, then the Expected Amortization Schedule shall be restructured as directed by the Issuer, to produce a level annual revenue requirement for the remaining term of the Series 2021 Bonds, taking into account Periodic Interest.
- (e) *Periodic Interest.* Interest on the Series 2021 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Periodic Interest will be on each Payment Date in an amount equal to one-half of the product of (i) the then applicable interest rate on the Series 2021 Bonds, and (ii) the Outstanding Amount of the Series 2021 Bonds as of the close of business on the preceding Payment Date after giving effect to all payments of principal made to the Holders of the Series 2021 Bonds on such preceding Payment Date; provided, however, that with respect to the Initial Payment Date, or, if no payment has yet been made, interest on the outstanding principal balance will accrue from and including the Closing Date to, but excluding, such Payment Date (such interest on any such Payment Date, collectively, "Periodic Interest").
- (f) *Application of Series 2021 Bond Proceeds.* Immediately upon the authentication and delivery of the Series 2021 Bonds as set forth herein and in the Indenture, the Indenture Trustee shall apply the net proceeds of the Series 2021 Bonds as follows:
 - (i) An amount equal to \$50,000,000 (the "Reserved Proceeds"), together with earnings from the investment and reinvestment thereon, shall be deposited into an account maintained by the Indenture Trustee for the sole purpose of maintaining the Reserved Proceeds (the "Reserved Proceeds Account"). Amounts in the Reserved Proceeds Account shall be applied by the Indenture Trustee at the written direction and certification of the Issuer solely to repay existing ERCOT indebtedness (or to pay waiver fees associated with waivers granted to eliminate the need for such repayment), and then only to the extent that lenders with respect to such existing ERCOT indebtedness have not waived certain negative covenants which would otherwise prevent the issuance of either or both of the Series 2021 Bonds or the uplift balance stabilization bonds anticipated to be issued by a wholly owned subsidiary of ERCOT pursuant to Subchapter N of Chapter 39 of the Texas Utilities Code (the "Texas Stabilization N Bonds"). Additionally, at the written direction and certification of the Issuer, any unutilized portion of amounts in the Reserved Proceeds Account remaining following the issuance of the Texas Stabilization N Bonds shall be remitted to ERCOT to pay or reimburse additional financial revenue auction receipts used by ERCOT to temporarily reduce amounts short-paid to wholesale market participants related to the Period of Emergency in accordance with the terms of the Securitization Law;

- (ii) An amount equal to \$4,000,000 (the "Debt Service Reserve Requirement") shall be deposited into a non-declining subaccount established within the Collection Account maintained by the Indenture Trustee for the sole purpose of maintaining the Debt Service Reserve Requirement (the "Debt Service Reserve Subaccount"). Amounts held in the Debt Service Reserve Subaccount shall be applied by the Indenture Trustee at the written direction and certification of the Issuer solely to repay the Series 2021 Bonds or amounts secured by the Indenture. If draws on the Debt Service Reserve Subaccount are made, Default Charges must be adjusted to replenish the drawn funds in accordance with the terms of the Indenture and the Servicing Agreement. Additionally, at the written direction and certification of the Issuer, any amount held in the Debt Service Reserve Subaccount remaining following the payment of the Series 2021 Bonds shall be remitted to the Issuer, free from the lien of the Indenture in accordance with the terms of the Indenture to be distributed in accordance with the terms of the Debt Obligation Order; and
- (iii) An amount equal to \$746,000,000, being the remaining balance of the proceeds of the Series 2021 Bonds, shall be applied by the Indenture Trustee in accordance with the written instructions of the Issuer for the payment of paying the Default Balance, and paying for the costs of issuing the Series 2021 Bonds, including the costs of ERCOT incurred in connection with the securitization of the Default Balance.

Section 3 Required Capital Level; Risk Retention.

- (a) *Required Capital Level.* Except as provided below, Default Charges will be imposed so as to fund \$1,000,000 of annual deposits directly into the Supplemental Capital Subaccount payable in monthly installments on the first Business day of each Calendar Month, commencing on the Initial Payment Date, as set forth on Schedule B attached hereto (the "Annual Supplemental Capital Subaccount Deposits"), until the balance in the Supplemental Capital Subaccount reaches \$24,000,000, as shown on Schedule B (the "Required Capital Level"). If at any time after the Closing Date, (i) credit ratings on the Series 2021 Bonds of at least "A(sf)" are obtained from at least two Rating Agencies and receipt of confirmation from such Rating Agencies that the below described reduction in the Required Capital Level will not negatively impact the ratings on the Series 2021 Bonds, and (ii) the Issuer delivers an approving private letter ruling from the Internal Revenue Service (a "PLR") confirming that all or a portion of Required Capital Level is not needed for the Series 2021 Bonds to be treated as debt obligations of ERCOT for federal income tax purposes and if the reduction of capital will not affect the credit rating, then the Required Capital Level shall be automatically reduced or eliminated in accordance with the PLR and any amounts in the Supplemental Capital Subaccount in excess of such adjusted Required Capital Level shall be used to redeem Series 2021 Bonds in accordance with the redemption provisions set forth in Section 5 of this Supplement. If such PLR results in a reduction of the Required Capital Level, but amounts on deposit in the Supplemental Capital Subaccount are less than such reduced Required Capital Level, then the Annual Supplemental Capital Subaccount Deposits shall continue to be funded as set forth in this Section 3(a) until such reduced Required Capital Level shall have been met.
- (b) *Compliance with Risk Retention Rules.* If prior to the Conversion Date: (i) it is determined, pursuant to an Opinion of Counsel, that the Series 2021 Bonds are "asset-backed securities" for purposes of Section 15G of the Exchange Act, (ii) the SEC proposes to treat the Series 2021 Bonds as "asset-backed securities" for purposes of Section 15G of the Exchange Act, (iii) the SEC determines that similar securities issued in a securitization sponsored by ERCOT are required to comply with the Risk Retention Rules or (iv) the SEC determines that securities that are substantially similar in structure and characteristics to the Series 2021 Bonds are required to comply with the Risk Retention Rules (a "Risk Retention Event"), then the Issuer agrees that it or ERCOT will be the

"sponsor" (the "Sponsor") within the meaning of the Risk Retention Rules and the Issuer shall cause the Sponsor or its Affiliate to (the "Risk Retention Requirements");

- (i) purchase and hold at least five percent (5.0%) of the par value of the Series 2021 Bonds that remain outstanding and take such other actions as the Initial Purchaser may reasonably request to ensure compliance with the Risk Retention Rules, including adjustments to the purchase price;
- (ii) comply with and be solely responsible for compliance with other aspects of the Risk Retention Rules, including, without limitation, if applicable, (A) complying with the post-closing disclosure requirements set forth in Rule 4(c)(2)(ii) of the Risk Retention Rules, (B) complying with the records maintenance requirements set forth in Rule 4(d) of the Risk Retention Rules, and (C) complying with the hedging, transfer and financing prohibitions set forth in Rule 12 of the Risk Retention Rules; and
- (iii) Deliver to the Indenture Trustee an opinion of counsel to the Issuer that the above actions, will cause the then outstanding Series 2021 Bonds to comply with the Risk Retention Rules.

If the Issuer fails to satisfy the Risk Retention Requirements within sixty (60) days of a Risk Retention Event, then the Series 2021 Bonds shall be subject to mandatory redemption by the Issuer in accordance with Section 5(c) of this Supplement.

- (c) *Issuer Capital.* In addition to the Required Capital Level the Issue will have not less than \$4,000,000 of paid in capital on the effective date of this Supplement.

Section 4 Interest Rate Conversion.

- (a) The Series 2021 Bonds shall bear interest at the Initial Interest Rate, up to January 31, 2025 (the "Conversion Date"). From the Conversion Date and continuing until final maturity or prior redemption, the Series 2021 Bonds shall bear interest at a fixed rate per annum equal to the Index (defined below) based on the credit rating of ERCOT, as of the Conversion Date, plus 2.50%.

"Index" means, as of the date that is five (5) Business Days prior to November 12, 2024 (the "Reset Date"), the Refinitiv TM3 Index rate based on the nearest Remaining Average Life of the Series 2021 Bonds for the category corresponding with the then applicable composite credit rating assigned by those of the three major credit rating agencies then rating ERCOT, as set forth below:

ERCOT Composite Credit Rating (Moody's)	Refinitiv TM3 Index Category
Above A1 or equivalent	"Electric Ins"
At or below A1 or equivalent	"A Electric"

- (b) *Exchange of Series 2021 Bonds.* At the request of the Issuer, on the Conversion Date, (i) new Series 2021 Bonds shall be authenticated by the Issuer reflecting the revised fixed rate(s) of interest and any multiple Tranches of Series 2021 Bonds; and (ii) the Initial Purchaser shall relinquish its Series 2021 Bonds in exchange for the new Series 2021 Bonds pursuant to Section 2.05 of the Indenture.

Section 5. Redemption of Series 2021 Bonds.

- (a) *Optional Redemption of Series 2021 Bonds.* Until the third anniversary and so long thereafter as the Series 2021 Bonds shall remain beneficially owned by or registered in the name of the Initial Purchaser, the Series 2021 Bonds shall be subject to optional redemption, in whole or in part, at any time prior to the Final Maturity Date at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.
- (b) *Optional Redemption upon Transfer.* If after the Conversion Date, the Initial Purchaser sells or transfers its interest in all of the Series 2021 Bonds to any other Person, then from and after the date of such transfers the Series 2021 Bonds shall be subject to optional redemption on any Business Day prior to the Final Maturity Date at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, plus the Make-Whole Premium. Calculation of the Make-Whole Premium will be made by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.
- (c) *Mandatory Redemption.* The Series 2021 Bonds shall be subject to mandatory redemption by the Issuer at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium if the Issuer fails to satisfy the Risk Retention Requirements within sixty (60) days of a Risk Retention Event.
- (d) *Notice of Redemption.* Subject to the restrictions set forth in Section 6 hereof, notice of redemption shall be provided to the Holders in accordance with the operational arrangements of the Clearing Agency then in effect, but in any event shall be sent to Holders no less than thirty (30) days but no more than ninety (90) days prior to any proposed Redemption Date. Each such direction from the Issuer shall be given to the Indenture Trustee at least five (5) days prior to the date on which notice of redemption of such Series 2021 Bonds is required to be given to the Holders, or such fewer number of days as shall be acceptable to the Indenture Trustee, accompanied by an Officer's Certificate requesting that the Indenture Trustee give such notice and setting forth the following information to be stated in such notice: (i) the identification of the Series 2021 Bonds, (ii) the Redemption Date, (iii) the redemption price, (iv) if the Series 2021 Bonds are being redeemed in part, the portion of the principal amount of such Series 2021 Bonds to be redeemed and that, after the redemption date upon surrender of such Series 2021 Bonds, a new Series 2021 Bond or Series 2021 Bonds in principal amount equal to the unredeemed portion will be issued in the name of the Holder thereof upon cancellation of the original Series 2021 Bond, (v) the name and address of the paying agent, (vi) that Series 2021 Bonds called for redemption must be surrendered to the paying agent to collect the redemption price, (vii) that, unless the Issuer defaults in making such redemption payment, interest on the Series 2021 Bonds called for redemption ceases to accrue on and after the redemption date, (viii) the paragraph of the Series 2021 Bonds and/or Section of the Indenture pursuant to which the Series 2021 Bonds called for redemption are being redeemed, (ix) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Series 2021 Bonds and (x) any conditions precedent to the redemption.
- (e) *Conditions to Redemption.* Any notice of optional redemption may, at the direction of the Issuer, state (i) that the redemption to be effected is conditioned upon the receipt by the Indenture Trustee on or prior to the Redemption Date of sufficient and legally available funds to pay the applicable redemption price of the Series 2021 Bonds to be redeemed and/or (ii) that the Issuer retains the right to rescind such notice on or prior to the scheduled Redemption Date and that if such funds shall not be so received or shall not be so legally available or if the notice shall be rescinded, such

notice shall be of no force or effect and such Series 2021 Bonds shall not be required to be redeemed. If such notice shall contain such condition(s) and sufficient legally available funds to pay the applicable redemption price of such Series 2021 Bonds shall not be received by the Indenture Trustee on or prior to the Redemption Date or if the notice shall be rescinded on or prior to the Redemption Date, the redemption shall not be made. The Issuer shall provide written notice of the rescission of such notice of redemption to the Indenture Trustee no later than 10:00 a.m. Eastern Time (subject to the Clearing Agency's procedures) on the date of redemption. Upon receipt of such notice of the rescission of such notice of redemption, such notice of redemption shall be automatically rescinded and the redemption of the Series 2021 Bonds shall be automatically rescinded and cancelled, as provided in such notice.

- (f) *Application of Indenture Funds.* Notwithstanding anything in the Indenture to the contrary, on or before the date fixed for redemption of the entire Outstanding Amount of the Series 2021 Bonds (but not in part) (but no earlier than sixty (60) days prior to the proposed Redemption Date) the Issuer may direct the Indenture Trustee in writing to apply moneys in the Collection Account or any Subaccounts thereof, which, together with any additional funds received by the Indenture Trustee shall be sufficient to pay the applicable redemption price of the entire Outstanding Amount of the Series 2021 Bonds on the Redemption Date.
- (g) *Effect of Redemption.* Notice having been given in the manner provided herein, the Series 2021 Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the applicable redemption price, and upon presentation and surrender of the Series 2021 Bonds at the office specified in such notice, unless rescinded. If there shall be called for redemption less than all of the principal of the Series 2021 Bonds, the Issuer shall execute and, at the written request of the Issuer, the Indenture Trustee shall authenticate, upon the surrender of any such Series 2021 Bond, without charge to the Holder thereof, a replacement Series 2021 Bond for the unredeemed balance of the principal amount of the Series 2021 Bond so surrendered.

No later than 11:00 a.m. Eastern Time on the redemption date, the Issuer will deposit with the Indenture Trustee money sufficient to pay the redemption price of, and accrued interest, if any, on all Series 2021 Bonds to be redeemed on that date. The Indenture Trustee will promptly return to the Issuer any money deposited with the Indenture Trustee by the Issuer in excess of the amounts necessary to pay the redemption price of, and accrued interest, if any, on all Series 2021 Bonds to be redeemed.

If, on the Redemption Date, moneys for the redemption of all of the Series 2021 Bonds or portions thereof so called for redemption, together with interest to the Redemption Date, shall be held by the Indenture Trustee so as to be available therefor with the Indenture Trustee by 11:00 a.m. Eastern Time on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Series 2021 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Series 2021 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne interest at had they not been called for redemption.

Section 6. Transfer Restrictions.

- (a) *No Transfer Prior to Conversion Date.* Without the prior written consent of the Issuer, the Series 2021 Bonds shall at all times remain registered with the Initial Purchaser until the Conversion Date, and notwithstanding anything in the Indenture to the contrary, the Indenture Trustee shall not

transfer or exchange the Series 2021 Bonds prior to the Conversion Date without the prior written consent of the Issuer.

- (b) *Transferability Following the Conversion Date.* Following the Conversion Date, and subject to Section 6(c) below, the Initial Purchaser shall be permitted to transfer all or any portion of the Series 2021 Bonds, but only after having given the Issuer and ERCOT forty-five (45) days' prior written notice of the Initial Purchaser's intention to sell all or part of its interest in the Series 2021 Bonds (the "Transfer Notice"). A Transfer Notice may be given to the Issuer and ERCOT before the Conversion Date so long as the effective date is on or after the Conversion Date. The Transfer Notice shall address the following:
 - (i) *Application for Rating.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Initial Purchaser shall determine. The Issuer shall use good faith efforts to cause ratings to be received within ninety (90) days of its receipt of the Transfer Notice. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 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. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
 - (ii) *Offering Memorandum.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall, within 90 days, prepare a private placement memorandum or other offering memorandum for dissemination to potential purchasers of the Series 2021 Bonds, setting forth the terms of the Series 2021 Bonds, the financial information concerning the Issuer and the Texas Stabilization M Bond Collateral, and other information material to an evaluation of the Series 2021 Bonds (the "Offering Memorandum"). All costs relating to the preparation of the Offering Memorandum, including any reasonable costs of the Initial Purchaser, shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture; provided that such costs shall not bear any interest, or include any seller commission or similar cost, which shall be borne solely by the Initial Purchaser.
- (c) *Tolling on Transferability Following the Conversion Date.* Upon receipt of a Transfer Notice as provided in Section 6(b) above, the Initial Purchaser shall not be permitted to sell or transfer all or any portion of the Series 2021 Bonds for an additional sixty (60) days beyond the forty-five (45) day notice period provided for in Section 6(b) if the Issuer provides written notice to the Initial Purchaser no later than fifteen (15) days after receipt of the Transfer Notice of its intention to optionally redeem the Series 2021 Bonds pursuant to Section 5(a) of this Supplement. Should the Issuer fail to redeem the Series 2021 Bonds within such additional sixty (60) day period, then the Initial Purchaser's right to sell or transfer the Series 2021 Bonds shall take effect immediately upon the expiration of such additional 60-day period.
- (d) *Further Limitations on Transfer.* In addition to the limitations set forth above, the following limitations shall apply with respect to the Series 2021 Bonds, unless otherwise expressly consented to by the Issuer, which consent may be granted or withheld at the Issuer's sole and absolute discretion:

- (i) *Authorized Denominations.* The Series 2021 Bonds and any beneficial ownership interests therein may be held only in Minimum Denominations of \$100,000, and integral multiples of \$1,000 in excess thereof.
- (ii) *Investor Qualifications.* Transfers of the Series 2021 Bonds are restricted to investors, each of whom by its purchase of the Series 2021 Bonds represents that:
 - (A) The purchaser is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities and Exchange Commission; and
 - (B) The purchaser (1) is purchasing such Series 2021 Bonds solely for its own account, (2) can bear the economic risk of an investment in the Series 2021 Bonds, (3) has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Series 2021 Bonds, and (4) has made the decision to purchase the Series 2021 Bonds based on its own independent investigation regarding the Series 2021 Bonds and has received the information it considers necessary to make an informed decision to invest in the Series 2021 Bonds.

The Indenture Trustee shall not authenticate or register a Series 2021 Bond unless the above language is included as a legend on such Series 2021 Bond. The Indenture Trustee shall have no duty or responsibility to monitor, inquire, investigate or otherwise determine whether any transferees of the Series 2021 Bonds qualify under these requirements and shall have no liability with respect thereto.

- (iii) *No Registration.* THE SERIES 2021 BONDS SHALL NOT BE REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW.

Section 7. Credit Rating Requirement; Mandatory Put Option.

- (a) *Credit Rating Requirement.* At any time after the third anniversary of issuance of the Series 2021 Bonds and upon the written direction the Holders of not less than a majority of the Outstanding Amount, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Holders of not less than a majority of the Outstanding Amount shall determine. Not later than 90 days after receipt of a written request received from the Holders of a majority of the Series 2021 Bonds the Issuer will cooperate in soliciting a credit rating. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 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. The Issuer shall be responsible for all fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
- (b) *Mandatory Put Option.* If any time after the Conversion Date, but only for so long as the Initial Purchaser is the Holder of the Series 2021 Bonds, at the written request of the Initial Purchaser, the Issuer will use its good faith best efforts to obtain credit ratings on a new series of Texas Stabilization M Bonds, the proceeds of which will be used to refinance the Series 2021 Bonds. If the Issuer is able to obtain "AA(sf)" or better credit ratings from at least two Rating Agencies, and

if the interest rates on this new series of Texas Stabilization M Bonds, based on those credit ratings, are expected to be 1.00% or more lower than the re-set rates on the existing Series 2021 Bonds, the Issuer will redeem the Series 2021 Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption in the manner set forth in Section 5 hereof, and finance the payment of that redemption price through a new series of Texas Stabilization M Bonds. The Issuer shall use good faith efforts to cause ratings to be received within 90 days of its receipt of such notice, and to cause such refinancing Texas Stabilization M Bonds to be issued as soon as reasonably possible following the receipt of such favorable credit ratings. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such ratings shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 8. General Provisions.

- (a) *Certain Defined Terms.* Article I of the Indenture provides that the meanings of certain defined terms used in the Indenture shall be as defined in Appendix A to the Indenture. Additionally, Article II of the Indenture provides certain terms will have the meanings specified in the related Series Supplement. With respect to the Series 2021 Bonds, the following definitions shall apply:
- (i) "Annual Supplemental Capital Subaccount Deposits" has the meaning given in Section 3(a) of this Supplement.
 - (ii) "Called Bonds" means the Outstanding Amount of all or any portion of the Series 2021 Bonds that have been called for redemption by the Issuer and subject to the Make-Whole Premium pursuant to Section 5(b) of this Supplement.
 - (iii) "Conversion Date" has the meaning set forth in Section 4(a) of this Supplement.
 - (iv) "Debt Service Reserve Requirement" has the meaning set forth in Section 2(c)(ii) of this Supplement.
 - (v) "Discounted Value" means, with respect to the Called Bonds, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Bonds from their respective scheduled due dates to the Redemption Date of such Called Bonds, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Called Bonds is payable) equal to the Reinvestment Yield with respect to such Called Bonds.
 - (vi) "Expected Amortization Schedule" has the meaning set forth in Section 2(d) of this Supplement.
 - (vii) "Final Maturity Date" means the final maturity date of the Series 2021 Bonds set forth in Section 2(a) of this Supplement.
 - (viii) "Index" has the meaning set forth in Section 4(a) of this Supplement.
 - (ix) "Initial Interest Rate" means the initial interest rate of the Series 2021 Bonds set forth in Section 2(a) of this Supplement.
 - (x) "Initial Payment Date" has the meaning set forth in Section 2(c) of this Supplement.

- (xi) "Initial Purchaser" has the meaning set forth in Section 2(b) of this Supplement.
- (xii) "Make-Whole Premium" means, with respect to the Series 2021 Bonds, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to such Called Bonds, over the Outstanding Amount of such of the Called Bonds to be redeemed; *provided* that the Make-Whole Premium may in no event be less than zero.
- (xiii) "Minimum Denomination" shall mean \$100,000 or integral multiples of \$1,000 in excess thereof, except for one bond of each tranche which may be of a smaller denomination.
- (xiv) "Offering Memorandum" has the meaning set forth in Section 6(b)(ii) of this Supplement.
- (xv) "Payment Date" has the meaning set forth in Section 2(c) of this Supplement.
- (xvi) "Periodic Interest" has the meaning set forth in Section 2(c) of this Supplement.
- (xvii) "PLR" has the meaning given in Section 3(a) of this Supplement.
- (xviii) "Redemption Date" means any date on which all or any portion of the Series 2021 Bonds are to be redeemed in accordance with the terms of this Supplement.
- (xix) "Reinvestment Yield" means, with respect to the Called Bonds, 0.20% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Redemption Date with respect to such Called Bonds, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Bonds as of such Redemption Date; or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Redemption Date of such Called Bonds, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of the Called Bonds as of such Redemption Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the Series 2021 Bonds.

- (xx) "Remaining Average Life" means, as of the given date, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Bonds into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payments with respect to such Called Bonds by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date

with respect to such Called Bonds and the scheduled due date of such Remaining Scheduled Payment.

- (xxi) "Remaining Scheduled Payments" means, with respect to the Called Bonds, all payments of such Called Bonds and interest thereon that would be due after the Redemption Date based on the Expected Amortization Schedule in effect as of the Redemption Date.
- (xxii) "Required Capital Level" has the meaning given in Section 3(a) of this Supplement.
- (xxiii) "Reserved Proceeds" has the meaning set forth in Section 2(e)(i) of this Supplement.
- (xxiv) "Reserved Proceeds Account" has the meaning set forth in Section 2(f)(i) of this Supplement.
- (xxv) "Series 2021 Bond Purchase Agreement" shall mean the Bond Purchase Agreement among the Initial Purchaser, the Issuer and ERCOT, dated November 12, 2021.
- (xxvi) "Series 2021 Bonds" has the meaning set forth on page 1 of this Supplement.
- (xxvii) "Series 2021 Bonds Issuer Order" has the meaning set forth on page 1 of this Supplement.
- (xxviii) "Texas Stabilization M Bond Collateral" has the meaning set forth on page 2 of this Supplement.
- (xxix) "Texas Stabilization N Bonds" has the meaning set forth in Section 2(f)(i) of this Supplement.
- (xxx) "Transfer Notice" has the meaning set forth in Section 6(b) of this Supplement.
- (b) *Delivery and Payment for the Series 2021 Bonds; Form of the Series 2021 Bonds.* The Indenture Trustee shall deliver the Series 2021 Bonds to the Initial Purchaser when authenticated in accordance with Section 2.03 of the Indenture. The Series 2021 Bonds shall be in the form of Exhibit A attached hereto.
- (c) *Notices and Reports Deliverable to the Initial Purchaser.* For so long as the Series 2021 Bonds shall remain beneficially owned by or registered in the name of the Initial Purchaser, the Issuer shall cause any and all notices and reports required to be delivered to the Indenture Trustee under the Basic Documents to also be delivered to the Initial Purchaser.
- (d) *Ratification of Agreement.* As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed, and the Indenture, as so supplemented by this Supplement, shall be read, taken, and construed as one and the same instrument. This Supplement amends, modifies and supplements the Indenture only in so far as it relates to the Series 2021 Bonds.
- (e) **GOVERNING LAW. THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS**

WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

- (f) *Conflicting Provisions.* If any term or provision contained in this Supplement shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement shall govern.
- (g) *No Recourse to Issuer.* Notwithstanding any provision of the Indenture or this Supplement to the contrary, Holders shall look only to the Texas Stabilization M Bond Collateral with respect to any amounts due to the Holders hereunder and under the Texas Stabilization M Bonds and, in the event such Texas Stabilization M Bond Collateral is insufficient to pay in full the amounts owed on the Texas Stabilization M Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.
- (h) *Counterparts.* This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement to be duly executed by their duly authorized officers as of the day and year first above written.

ISSUER:

**Texas Electric Market Stabilization Funding M
LLC**, a Delaware limited liability company

By: _____

Sean Taylor

Vice President & Chief Financial Officer

TRUSTEE:



U.S. Bank National Association, as Trustee

By: _____

Name: _____

Title: _____

Michael R. Herberger
Vice President

**SCHEDULE A
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

SCHEDULE B
SCHEDULE OF ANNUAL SUPPLEMENTAL CAPITAL SUBACCOUNT DEPOSITS

Deposit Year (Beginning Feb. 1)	Annual Capital Subaccount Deposit	Required Capital Level
2023	\$1,000,000	\$1,000,000
2024	\$1,000,000	\$2,000,000
2025	\$1,000,000	\$3,000,000
2026	\$1,000,000	\$4,000,000
2027	\$1,000,000	\$5,000,000
2028	\$1,000,000	\$6,000,000
2029	\$1,000,000	\$7,000,000
2030	\$1,000,000	\$8,000,000
2031	\$1,000,000	\$9,000,000
2032	\$1,000,000	\$10,000,000
2033	\$1,000,000	\$11,000,000
2034	\$1,000,000	\$12,000,000
2035	\$1,000,000	\$13,000,000
2036	\$1,000,000	\$14,000,000
2037	\$1,000,000	\$15,000,000
2038	\$1,000,000	\$16,000,000
2039	\$1,000,000	\$17,000,000
2040	\$1,000,000	\$18,000,000
2041	\$1,000,000	\$19,000,000
2042	\$1,000,000	\$20,000,000
2043	\$1,000,000	\$21,000,000
2044	\$1,000,000	\$22,000,000
2045	\$1,000,000	\$23,000,000
2046	\$1,000,000	\$24,000,000

EXHIBIT A
FORM OF SERIES 2021 BOND

THIS SERIES 2021 BOND HAS NOT BEEN REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE AGENCY OR REGULATORY AUTHORITY UNDER ANY APPLICABLE SECURITIES LAWS OF ANY STATE. THIS SERIES 2021 BOND MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED ONLY TO QUALIFIED INSTITUTIONAL BUYERS THIS SERIES 2021 BOND IS ISSUABLE AND TRANSFERRABLE ONLY IN DENOMINATIONS OF \$100,000 OR INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. TRANSFERS OF THIS SERIES 2021 BOND, INCLUDING ANY BENEFICIAL OWNERSHIPS INTERESTS HEREIN, ARE RESTRICTED TO INVESTORS, EACH OF WHOM BY ITS PURCHASE OF THIS BOND, REPRESENT THAT: (A) THE PURCHASER IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED UNDER RULE 144A OF THE SECURITIES AND EXCHANGE COMMISSION; AND (B) THE PURCHASER (1) IS PURCHASING THIS SERIES 2021 BOND SOLELY FOR ITS OWN ACCOUNT, (2) CAN BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE SERIES 2021 BONDS, (3) HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF PURCHASING THIS SERIES 2021 BOND, AND (4) HAS MADE THE DECISION TO PURCHASE THIS SERIES 2021 BOND BASED ON ITS OWN INDEPENDENT INVESTIGATION REGARDING THIS SERIES 2021 BOND AND HAS RECEIVED THE INFORMATION IT CONSIDERS NECESSARY TO MAKE AN INFORMED DECISION TO INVEST IN THIS SERIES 2021 BOND.

TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC
TEXAS STABILIZATION M BONDS,
SERIES 2021

NO.: R-_____ \$

REGISTERED OWNER: _____ CUSIP NO. _____

Authentication Date (date of delivery)	Initial Interest Rate	Final Maturity Date
_____, _____	_____%	_____, _____

Reference is made to the further provisions of this Series 2021 Bond set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Series 2021 Bond. See the reverse hereof for certain definitions.

Texas Electric Market Stabilization Funding M LLC, a Delaware limited liability company (herein referred to as the "Issuer"), for value received, hereby promises to pay to the above described registered owner, or registered assigns, the Original Principal Amount shown above in semi-annual installments on the Payment Dates and in the amounts specified on the reverse hereof or, if less, the amounts determined pursuant the Indenture, in each year, commencing on the date determined as provided on the reverse hereof and ending on or before the Final Maturity Date shown above and to pay interest, at the Initial Interest Rate shown above, on Payment Dates commencing on the Initial Payment Date and continuing until the earlier of the payment in full of the principal hereof and the Final Maturity Date. Interest on this Series 2021 Bond will accrue for each Payment Date from the most recent Payment Date on which interest has been paid to

but excluding such Payment Date or, if no interest has yet been paid, from the date of issuance. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Such principal of and interest on this Series 2021 Bond shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this Series 2021 Bond is payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Series 2021 Bond shall be applied first to interest due and payable on this Series 2021 Bond as provided above and then to the unpaid principal of and premium, if any, on this Series 2021 Bond, all in the manner set forth in the Indenture.

THE HOLDER OF THIS BOND, BY ACCEPTING THIS BOND, HEREBY COVENANTS AND AGREES, AND EACH OWNER OF A SECURITY ENTITLEMENT HERETO, BY ACCEPTING SUCH SECURITY ENTITLEMENT, IS DEEMED TO COVENANT AND AGREE, THAT THEY SHALL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR AND ONE DAY AFTER THE TERMINATION OF THE INDENTURE, ACQUIESCE, PETITION OR OTHERWISE INVOKE OR CAUSE THE ISSUER OR ANY MANAGER TO INVOKE THE PROCESS OF ANY COURT OR GOVERNMENT AUTHORITY FOR THE PURPOSE OF COMMENCING OR SUSTAINING A CASE AGAINST THE ISSUER UNDER ANY INSOLVENCY LAW OR APPOINTING A RECEIVER, LIQUIDATOR, ASSIGNEE, TRUSTEE, CUSTODIAN, SEQUESTRATOR OR OTHER SIMILAR OFFICIAL OF THE ISSUER OR ANY SUBSTANTIAL PART OF ITS RESPECTIVE PROPERTY, OR ORDERING THE DISSOLUTION, WINDING UP OR LIQUIDATION OF THE AFFAIRS OF THE ISSUER. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO THE ISSUER WHICH IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW, OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION WHICH IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

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, THIS BOND.

THE PRINCIPAL OF THIS TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC TEXAS STABILIZATION M BONDS, SERIES 2021 BOND (THIS "SERIES 2021 BOND") WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS SERIES 2021 BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ALL OBLIGATIONS OF THE ISSUER RELATING TO THE SERIES 2021 BONDS UNDER THE TERMS OF THE INDENTURE WILL BE RELEASED AND DISCHARGED UPON PAYMENT IN FULL HEREOF OR AS OTHERWISE PROVIDED IN THE INDENTURE. THE HOLDER OF THIS SERIES 2021 BOND HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE WHICH IS ONE (1) YEAR AND ONE (1) DAY AFTER THE PAYMENT IN FULL OF THIS SERIES 2021 BOND, IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY OTHER PERSON IN INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANIZATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDINGS OR OTHER SIMILAR PROCEEDING UNDER THE LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED

TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO THE ISSUER WHICH IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW, OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION WHICH IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Series 2021 Bond shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Responsible Officer.

Date:

ISSUER:

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

By:

Name:

Title:

[SIGNATURE PAGE TO SERIES 2021 BOND]

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is a Series 2021 Bond, designated above and referred to in the within-mentioned Indenture.

Date:

INDENTURE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
a National Banking Association

By: _____
Authorized Signatory

REVERSE OF TEXAS STABILIZATION M BOND

This Texas Electric Market Stabilization Funding M LLC Texas Stabilization M Bond, Series 2021 Bond is one of a duly authorized issue of the Issuer (the "Series 2021 Bonds"), issued under that certain Indenture dated as of November 12, 2021, (as supplemented by the Series Supplement (as defined below), the "Indenture"), between the Issuer and U.S. Bank National Association in its capacity as indenture trustee (the "Indenture Trustee", which term includes any successor indenture trustee under the Indenture) and in its separate capacity as a securities intermediary (the "Securities Intermediary", which term includes any successor securities intermediary under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Series 2021 Bonds. For purposes herein, "Series Supplement" means that certain Series Supplement dated as of November [__], 2021 between the Issuer and the Indenture Trustee. All terms used in this Series 2021 Bond that are defined in the Indenture, as amended, restated, supplemented or otherwise modified from time to time, shall have the meanings assigned to such terms in the Indenture.

The Series 2021 Bonds, the other future series or tranches of Issuer's Texas Stabilization M Bonds issued under the Indenture (all of such series being referred to herein as "Texas Stabilization M Bonds") are and will be equally and ratably secured by the Texas Stabilization M Bond Collateral pledged as security therefor as provided in the Indenture and in the Series Supplement.

The principal of this Series 2021 Bond shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding principal balance thereof on the preceding Payment Date (after giving effect to all payments of principal, if any, made on the preceding Payment Date) has been reduced to the principal balance specified in the Expected Amortization

Schedule which is attached to the Series Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Bondholders representing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds have declared the Texas Stabilization M Bonds to be immediately due and payable in accordance the Indenture (unless such declaration shall have been rescinded and annulled in accordance the Indenture). However, actual principal payments may be made in lesser than expected amounts and at later than expected times as determined pursuant to the Indenture. The entire unpaid principal amount of this Series 2021 Bond shall be due and payable on the Final Maturity Date hereof. Notwithstanding the foregoing, the entire unpaid principal amount of Texas Stabilization M Bonds shall be due and payable, if not then previously paid, on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Holders of the Texas Stabilization M Bonds representing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds have declared the Texas Stabilization M Bonds to be immediately due and payable in the manner provided in the Indenture (unless such declaration shall have been rescinded and annulled in accordance with the Indenture). All principal payments on the Series 2021 Bonds shall be made pro rata to the Holders entitled thereto based on the respective principal amounts of the Series 2021 Bonds held by them.

Payments of interest on this Series 2021 Bond due and payable on each Payment Date, together with the installment of principal or premium, if any, shall be made by wire transfer to an account maintained by the Person whose name appears as the Registered Owner of this Series 2021 Bond (or one or more Predecessor Texas Stabilization M Bonds) on the Texas Stabilization M Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Indenture or the Series Supplement, except that while this

Series 2021 Bond is held in Book-Entry Form, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global Texas Stabilization M Bond evidencing this Series 2021 Bond unless and until such Global Texas Stabilization M Bond is exchanged for Definitive Texas Stabilization M Bonds (in which event payments shall be made as provided above), and except for the final installment of principal and premium, if any, payable with respect to this Series 2021 Bond on a Payment Date which shall be payable as provided below. Any reduction in the principal amount of this Series 2021 Bond (or any one or more Predecessor Texas Stabilization M Bonds) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Series 2021 Bond and of any Texas Stabilization M Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Series 2021 Bond on a Payment Date, then the Indenture Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Registered Owner hereof as of the Record Date preceding such Payment Date by notice mailed no later than five (5) days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of this Series 2021 Bond and shall specify the place where this Series 2021 Bond may be presented and surrendered for payment of such installment.

The Issuer shall pay interest on overdue installments of interest at the Texas Stabilization M Bond Interest Rate to the extent lawful.

This Series 2021 Bond is a "debt obligation" as such term is described in the Securitization Law. Principal and interest due and payable on this Series 2021 Bond are a nonrecourse debt secured solely by Default Property created and established by the Debt Obligation Order obtained from the Public Utilities Commission of Texas pursuant to the Securitization Law. Default Property consists of the rights and interests of the Seller in the Debt Obligation Order, including the

right to impose, collect and receive certain charges (defined in the Securitization Law as "default charges") to be assessed and collected from QSEs and CRR account holders, or their successors or assigns, as more fully described in the Debt Obligation Order.

The Securitization Law provides that: "The state pledges, however, for the benefit and protection of financing parties and [ERCOT] 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. Any party issuing a debt obligation under [the Securitization Law] is authorized to include this pledge in any documentation relating to the obligation."

The Securitization Law further provides that: "Debt obligations issued pursuant to [the Securitization Law], including any bonds, are not a debt or obligation of the state and are not a charge on its full faith and credit or taxing power."

The Issuer hereby acknowledges that the purchase of this Series 2021 Bond by the Holder hereof or the purchase of any beneficial interest herein by any Person are made in reliance on the foregoing pledge.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Series 2021 Bond may be registered on the Texas Stabilization M Bond Register upon surrender of this Series 2021 Bond for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by (A) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an institution which is a member of one of the following recognized Signature Guaranty Programs: (I) The Securities Transfer Agent Medallion Program (STAMP); (II) The New York Stock Exchange Medallion Program (MSP); (III) The Stock Exchange

Medallion Program (SEMP); or (IV) in such other guarantee program acceptable to the Indenture Trustee, and (B) such other documents as the Indenture Trustee may require, and thereupon one or more new Series 2021 Bond of Minimum Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Series 2021 Bond, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange, other than exchanges pursuant to the terms of the Indenture not involving any transfer.

Each Texas Stabilization M Bond holder, by acceptance of a Texas Stabilization M Bond, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the Texas Stabilization M Bonds or under the Indenture or any certificate or other writing delivered in connection therewith, against (I) any owner of a membership interest in the Issuer (including ERCOT) or (II) any shareholder, partner, owner, beneficiary, agent, officer or employee of the Indenture Trustee, the Managers or any owner of a membership interest in the Issuer (including ERCOT) in its respective individual or corporate capacities, or of any successor or assign of any of them in their individual or corporate capacities, except as any such Person may have expressly agreed in writing. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.

Prior to the due presentment for registration of transfer of this Series 2021 Bond, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Series 2021 Bond is registered (as of the day of determination) as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Series 2021 Bond and for all other purposes whatsoever, whether or not this Series 2021 Bond

be overdue, and neither the Issuer, the Indenture Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Texas Stabilization M Bonds under the Indenture at any time by the Issuer with the consent of the Bondholders representing not less than a majority of the Outstanding Amount of all Texas Stabilization M Bonds at the time outstanding of each Tranche to be affected. The Indenture also contains provisions permitting the Bondholders representing specified percentages of the Outstanding Amount of the Texas Stabilization M Bonds, on behalf of the Holders of all the Texas Stabilization M Bonds, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Series 2021 Bond (or any one of more Predecessor Texas Stabilization M Bonds) shall be conclusive and binding upon such Holder and upon all future Holders of this Series 2021 Bond and of any Texas Stabilization M Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Series 2021 Bond. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the Texas Stabilization M Bonds issued thereunder.

The Indenture contains provisions for defeasance at any time of (A) the entire indebtedness of the Issuer on this Series 2021 Bond and (B) certain restrictive covenants and the related Events of Default, upon compliance by the Issuer with certain conditions set forth herein, which provisions apply to this Series 2021 Bond.

The term "Issuer" as used in this Series 2021 Bond includes any successor to the Issuer under the Indenture. The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the

Indenture Trustee and the Bondholders under the Indenture.

This Series 2021 Bond is issuable only in registered form in denominations as provided in the Indenture and the Series Supplement subject to certain limitations therein set forth.

THIS SERIES 2021 BOND, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

No reference herein to the Indenture and no provision of this Series 2021 Bond or of the Indenture shall alter or impair the obligation,

which is absolute and unconditional, to pay the principal of and interest on this Series 2021 Bond at the times, place, and rate, and in the coin or currency herein prescribed.

The Issuer and the Indenture Trustee, by entering into the Indenture, and the Holders and any Persons holding a beneficial interest in any Series 2021 Bond, by acquiring Series 2021 Bond or interest therein, (I) express their intention that, solely for the purpose of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for the purpose of state, local and other taxes, this Series 2021 Bond qualifies under applicable tax law as indebtedness of the sole owner of the Issuer secured by the Texas Stabilization M Bond Collateral and (II) solely for purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of Series 2021 Bond is outstanding, agree to treat this Series 2021 Bond as indebtedness of the sole owner of the Issuer secured by the Texas Stabilization M Bond Collateral unless otherwise required by appropriate taxing authorities.

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FORM OF ASSIGNMENT

The following abbreviations, when used in the inscription of the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS
MIN ACT - _____ Custodian
(Custodian) (Minor)
Under Uniform Gifts to Minor Act (_____) (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

Name of Assignee:

Address of Assignee:

Taxpayer ID of Assignee:

This Series 2021 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Series 2021 Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature

NOTICE: The signature to this Assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular word without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: The signature to this Assignment must be guaranteed by an institution that is a participant in (i) The Securities Transfer Agent Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Program (MSP), (iii) the Stock Exchange Medallion Program (SEMP) or (iv) such other guarantee program acceptable to the Indenture Trustee.