



## MEMORANDUM

To: ERCOT Board of Directors  
From: Mike Grable, Vice President and General Counsel  
Date: February 10, 2009  
Re: Revision to Board Member Ethics Agreement

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ERCOT Human Resources, Internal Audit, and Legal respectfully and jointly recommend that the current Ethics Agreement for Directors and Segment Alternates (Ethics Agreement) be revised to add a sunshine provision with respect to Board Member-Vendor relationships. The ERCOT CEO approves of this change, and key Public Utility Commission leadership has also been briefed.

The Ethics Agreement, as revised, is attached hereto as *Exhibit A* for your review and consideration.

In practice, this requirement means that each Director will be asked to review the ERCOT Vendor List once per year (at the time Board Member signs the Ethics Agreement) and identify any Vendors for which that Director is an employee, contractor, Board Member, or significant owner. The requirement then is simply to disclose that relationship and allow the Board, with input and advice if needed, to determine whether the relationship may be problematic.

I want to emphasize that the proposed addition in no way presupposes that Directors with Vendor affiliations are disqualified from Board service – the new requirement would be for disclosure and consideration of the issue only.

The definition of relationships and household/family members in the redlined Agreement tracks identical language already in the Bylaws that defines the scope of Unaffiliated Director-Market Participant relationships. Please also note that there is already an absolute requirement that a Director recuse herself from deliberating or voting on an item that could benefit a Vendor with which the Board Member is affiliated. The new redline in no way changes that requirement.

I look forward to discussing this with you further at the Board meeting on February 17, 2009.