IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS MEETING THE QUALIFICATIONS DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM.

IMPORTANT: Prospective investors must read the following before continuing. The following applies to the Offering Memorandum following this page, and prospective investors are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, prospective investors agree to be bound by the following terms and conditions, including any modifications to them, any time they receive any information from the Issuer as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH LAWS. THE ACQUISITION AND TRANSFER OF THE BONDS ARE SUBJECT TO ANY ADDITIONAL RESTRICTIONS DESCRIBED IN THE OFFERING MEMORANDUM.

EXCEPT AS SET FORTH IN THE OFFERING MEMORANDUM, THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Prospective Investors' Representation: In order to be eligible to view this Offering Memorandum, investors in the Bonds must be (i) "qualified institutional buyers" (within the meaning of Rule 144A(a)(1) under the Securities Act) or (ii) not a "U.S. Person" (as defined in §902(k) of Regulation S under the Securities Act) and purchasing in an "offshore transaction" (as defined in §902(h) of Regulation S under the Securities Act). The Offering Memorandum is being sent at prospective investors' requests and by accessing the Offering Memorandum, each prospective investor will be deemed to have represented to the Issuer that it is a qualified institutional buyer, or not a U.S. Person and purchasing in an offshore transaction, and that it consents to delivery of the Offering Memorandum by electronic transmission.

Prospective investors are reminded that the Offering Memorandum has been delivered to them on the basis that they are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located and they may not, and are not authorized to, deliver this Offering Memorandum to any other person.

The Offering Memorandum has been sent to prospective investors in an electronic form. Prospective investors are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of ERCOT, the Issuer, the Initial Purchasers, or any director, officer, employee or agent of any such person or affiliate of such person accepts any liability or responsibility whatsoever in respect of the electronic transmission of the Offering Memorandum.

OFFERING MEMORANDUM
$379,100,000 Texas Stabilization Subchapter M Bonds, Series 2025
Electric Reliability Council of Texas, Inc.
Sponsor, Depositor and Initial Servicer

Texas Electric Market Stabilization Funding M LLC
Issuing Entity

Tranche	Expected Weighted Average Life (Years)	Principal Amount Offered	Scheduled Final Payment Date	Final Maturity Date	Interest Rate[(1)]	Initial Price to Public	Sales Discounts and Commissions	Proceeds to Issuing Entity (Before Expenses)
A	14.69	$379,100,000	August 1, 2049	August 1, 2051	5.147%	99.99249%	0.40%	$377,555,129.59

(1) Interest on the 2025 M Bonds will accrue from August 14, 2025. If the delivery of the 2025 M Bonds is delayed after that date, the purchasers will pay accrued interest starting from August 14, 2025.

This **Offering Memorandum** provides information relating to the offering of Texas Stabilization Subchapter M Bonds, Series 2025, or the **2025 M Bonds**.

The total initial sale price is $379,071,529.59. The total amount of the Initial Purchasers' discounts and commissions is $1,516,400.00. The total amount of proceeds to the Issuing Entity before deduction of expenses (estimated to be $2,624,782.60) is $377,555,129.59. The distribution frequency is semi-annually. The first expected payment date is February 1, 2026.

Investing in the Texas Stabilization Subchapter M Bonds, Series 2025 involves risks. Please read "Risk Factors" beginning on page 20 to read about factors you should consider before buying the 2025 M Bonds.

Electric Reliability Council of Texas, Inc., also referred to herein as **ERCOT**, as depositor and as sponsor, is sponsoring the offering of $379,100,000 Texas Stabilization Subchapter M Bonds, Series 2025 to be issued by Texas Electric Market Stabilization Funding M LLC, as the **Issuing Entity**. ERCOT is also the initial servicer with regard to the 2025 M Bonds, and the seller of the default property. The 2025 M Bonds are senior secured obligations of the Issuing Entity supported by the default property, which includes the right to special, irrevocable nonbypassable charges, known as **default charges**, paid by Qualified Scheduling Entities (**QSEs**) and CRR Account Holders (**CRRAHs**), as defined herein (the QSEs and CRR Account Holders being collectively referred to as **Wholesale Market Participants**), based on each Wholesale Market Participant's pro-rata share of the respective maximum activity on a megawatt-hour basis, known as **activity ratio share**.

The 2025 M Bonds will be issued pursuant to Subchapter M of Chapter 39 of the Texas Utilities Code, or **Subchapter M**, and an irrevocable debt obligation order issued by the Public Utility Commission of Texas, or the **Commission** or **PUCT**, on October 14, 2021, or the **debt obligation order**, approving the issuance of the 2021 M Bonds (as defined below) and the 2025 M Bonds. The Commission's obligations under Subchapter M and the debt obligation order are irrevocable and the Commission agreed to neither reduce, alter, or impair the default charges authorized under the debt obligation order. Wholesale Market Participants are required under the debt obligation order to fully and promptly pay default charges. Defaulting market participants are subject to the ERCOT Nodal Protocols with respect to late payments and breaches, and failure to pay such default charges in accordance with the ERCOT Nodal Protocols may result in the participant's removal from the ERCOT power region until all outstanding amounts are fully paid. Credit enhancement for the 2025 M Bonds will be provided by statutory true-up mechanism as well as by accounts held under the Indenture. The debt obligation order requires the default charges to be reviewed and adjusted at least annually to correct over-collections and under-collections and to ensure sufficient recovery to provide timely payments of debt service. It also authorizes a semi-annual adjustment and more frequent interim adjustments to correct under-collections for the same purpose, as described further in this Offering Memorandum.

Each 2025 M Bond will be entitled to interest on February 1 and August 1 of each year, beginning February 1, 2026. The first scheduled payment date is February 1, 2026. On each payment date scheduled for principal payments, each 2025 M Bond will be entitled to payment of principal, but only to the extent funds are available in the collection account after

payment of certain fees and expenses and after payment of interest. There currently is no secondary market for the 2025 M Bonds, and we cannot assure you that one will develop.

The 2025 M Bonds represent obligations only of the Issuing Entity, Texas Electric Market Stabilization Funding M LLC, and do not represent obligations of the sponsor or any of its affiliates other than the Issuing Entity. The 2025 M Bonds are secured by the assets of the Issuing Entity, consisting principally of the default property and funds on deposit in the collection account for the 2025 M Bonds, and various related subaccounts. In addition, holders of 2025 M Bonds are entitled to receive application, pursuant to the Servicing Agreement, of certain deposits securing payment or performance of default charges. Please read "Security for the 2025 M Bonds" and "Description of the Default Property" in this Offering Memorandum. The 2025 M Bonds are not a debt or general obligation of the state of Texas, the Commission or any other governmental agency or instrumentality and are not a charge on the full faith and credit or the taxing power of the state of Texas or any governmental agency or instrumentality. The 2025 M Bonds do not create a personal liability for ERCOT.

THE 2025 M BONDS WILL BE OFFERED (1) IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND (2) OUTSIDE THE UNITED STATES TO ENTITIES WHICH ARE NOT "U.S. PERSONS" IN "OFFSHORE TRANSACTIONS" AS SUCH TERMS ARE DEFINED IN, AND IN COMPLIANCE WITH, REGULATION S UNDER THE SECURITIES ACT, TO WHOM THIS OFFERING MEMORANDUM HAS BEEN FURNISHED. THE 2025 M BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES OR "BLUE SKY" LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THE TRANSFER OF THE 2025 M BONDS IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS AND CONDITIONS. SEE "NOTICE TO INVESTORS." THERE IS NO MARKET FOR THE 2025 M BONDS, AND THERE IS NO ASSURANCE THAT ONE WILL DEVELOP. RESALES OF THE 2025 M BONDS MAY BE MADE ONLY (I) PURSUANT TO RULE 144A, (II) PURSUANT TO REGULATION S, OR (III) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF APPLICABLE) AND (IV) IN ACCORDANCE WITH THE OTHER RESTRICTIONS ON TRANSFER SET FORTH IN THE INDENTURE AND DESCRIBED UNDER "TRANSFER RESTRICTIONS" IN THIS OFFERING MEMORANDUM.

THE 2025 M BONDS HAVE NOT BEEN RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, OR BY ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

It is expected that delivery of the 2025 M Bonds will be made in global book entry form to investors against payment therefor in immediately available funds on or about August 14, 2025.

Joint Bookrunners

Citigroup **Barclays**

The date of this Offering Memorandum is August 5, 2025.

NOTICE TO INVESTORS

Prospective investors should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum. Neither the delivery of this Offering Memorandum nor any sale of 2025 M Bonds made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this Offering Memorandum.

The Issuing Entity has furnished this Offering Memorandum in connection with an offering that is exempt from registration under, or not subject to registration under, the Securities Act, and exempt from applicable securities laws of other jurisdictions, solely to allow a prospective investor to consider purchasing the 2025 M Bonds. Delivery of this Offering Memorandum to any person or any reproduction of this Offering Memorandum, in whole or in part, without prior consent from the Issuing Entity and representatives of the Initial Purchasers is prohibited.

The Issuing Entity and ERCOT have prepared the information in this Offering Memorandum. Neither ERCOT nor the Issuing Entity take any responsibility for other information others may give prospective investors.

A glossary of defined terms is included in this Offering Memorandum under “Glossary of Defined Terms.”

Upon receiving this Offering Memorandum, prospective investors acknowledge that (i) they have been afforded an opportunity to request from the Issuing Entity, and to review, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) prospective investors have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or their investment decision, and (iii) the Issuing Entity has not, and the Initial Purchasers have not, authorized any person to deliver any information different from that contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuing Entity, the Initial Purchasers or their respective agents. The offering is being made on the basis of this Offering Memorandum. Any decision to purchase 2025 M Bonds must be based on the information contained in this Offering Memorandum. In making an investment decision, investors must rely on their own examination of the Issuing Entity and the terms of the offering, including the merits and risks involved.

The information contained in this Offering Memorandum has been furnished by the Issuing Entity and other sources that the Issuing Entity believes to be reliable. Prospective investors acknowledge and agree that the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and prospective investors should not rely on anything contained in this Offering Memorandum as a promise, representation or warranty by the Initial Purchasers, whether as to the past or the future. This Offering Memorandum contains summaries, believed to be accurate, of the terms that the Issuing Entity considers material of certain documents, but reference is made to the actual documents, copies of which will be made available by the Initial Purchasers upon request, for the complete information contained in those documents. All such summaries are qualified in their entirety by this reference.

THE 2025 M BONDS WILL BE OFFERED (1) IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND (2) OUTSIDE THE UNITED STATES TO ENTITIES WHICH ARE NOT U.S. PERSONS IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, TO WHOM THIS OFFERING MEMORANDUM HAS BEEN FURNISHED. THE 2025 M BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THE TRANSFER OF THE 2025 M BONDS IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS AND CONDITIONS. SEE “TRANSFER RESTRICTIONS” IN THIS OFFERING MEMORANDUM. THERE IS NO MARKET FOR THE 2025 M BONDS, AND THERE IS NO ASSURANCE THAT ONE WILL DEVELOP. RESALES OF THE 2025 M BONDS MAY BE MADE ONLY (I) PURSUANT TO RULE 144A, (II) PURSUANT TO REGULATION S, (III) PURSUANT TO ANOTHER EXEMPTION UNDER THE SECURITIES ACT AND (IV) IN ACCORDANCE WITH THE OTHER RESTRICTIONS ON TRANSFER SET FORTH IN THE INDENTURE AND DESCRIBED IN THIS OFFERING MEMORANDUM.

Laws in certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of 2025 M Bonds. Persons into whose possession this Offering Memorandum or any of the 2025 M Bonds are delivered must inform themselves about, and observe, any such restrictions. Each prospective investor of the 2025 M Bonds must comply with all

applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the 2025 M Bonds or distributes this Offering Memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither ERCOT nor the Issuing Entity shall have any responsibility therefor.

The Issuing Entity reserves the right to withdraw this offering at any time, and the Issuing Entity and the Initial Purchasers reserve the right to reject any commitment to subscribe for the 2025 M Bonds in whole or in part and to allot to prospective investors less than the full amount of 2025 M Bonds subscribed for by such prospective investors. The Issuing Entity is making this offering subject to the terms described in this Offering Memorandum and the Indenture, the Series Supplement, the Sale Agreement, the LLC Agreement, the Servicing Agreement, the Administration Agreement, the Intercreditor Agreement and the Bond Purchase Agreement (as such documents may be further amended from time to time), collectively with all other documents and certificates delivered in connection with the issuance of the 2025 M Bonds, the "**basic documents**".

This Offering Memorandum does not constitute an offer to sell 2025 M Bonds to or a solicitation of an offer to buy 2025 M Bonds from any person in any jurisdiction where it is unlawful to make such an offer or solicitation. Prospective investors are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of 2025 M Bonds. The Issuing Entity and the Initial Purchasers are not making any representation to prospective investors regarding the legality of an investment in the 2025 M Bonds by such prospective investor under any law.

This Offering Memorandum may not include all information that the Issuing Entity would be required to include in a prospectus prepared in compliance with SEC rules relating to a registered public offering of securities.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE SPONSOR, THE ISSUING ENTITY, THE SERVICER, THE SELLER, THE TRUSTEE, THE INITIAL PURCHASERS OR ANY OF THEIR OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING OR TAX ADVICE. PRIOR TO INVESTING IN THE BONDS, A PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN ATTORNEY AND ITS OWN INVESTMENT, ACCOUNTING, REGULATORY AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE 2025 M BONDS AND ARRIVE AT AN INDEPENDENT EVALUATION OF SUCH INVESTMENT.

THE 2025 M BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE ISSUING ENTITY IS NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR THE **1940 ACT**. THE ISSUING ENTITY WILL BE RELYING ON AN EXCLUSION OR EXEMPTION FROM THE DEFINITION OF "INVESTMENT COMPANY" UNDER THE 1940 ACT CONTAINED IN RULE 3a-7 UNDER THE 1940 ACT, ALTHOUGH THERE MAY BE OTHER EXEMPTIONS, EXCLUSIONS OR EXCEPTIONS AVAILABLE. THE ISSUING ENTITY HAS BEEN STRUCTURED SO AS NOT TO CONSTITUTE A "COVERED FUND" FOR PURPOSES OF SECTION 619 OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT. THE RESALE OR TRANSFER OF THE 2025 M BONDS ARE RESTRICTED BY THE TERMS THEREOF AND BY THE TERMS OF THE INDENTURE. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS OFFERING MEMORANDUM IS FURNISHED TO THE RECIPIENT ON A CONFIDENTIAL BASIS SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. THE INFORMATION CONTAINED HEREIN MAY NOT BE USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE.

THE 2025 M BONDS REPRESENT NON-RECOURSE OBLIGATIONS OF THE ISSUING ENTITY. THE 2025 M BONDS WILL NOT REPRESENT INTERESTS IN OR OBLIGATIONS OF ERCOT, THE SPONSOR, THE SERVICER, THE SELLER, THE INITIAL PURCHASERS, THE TRUSTEE OR ANY OF THEIR AFFILIATES. THE 2025 M BONDS WILL NOT BE GUARANTEED OR INSURED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR ANY OTHER ENTITY. THE ASSETS OF THE ISSUING ENTITY WILL BE THE SOLE SOURCE OF PAYMENTS ON THE 2025 M BONDS, AND THERE WILL BE NO RECOURSE TO THE SPONSOR, THE SERVICER, THE SELLER, THE INITIAL PURCHASERS, THE TRUSTEE, OR ANY OTHER ENTITY IN THE EVENT THAT PAYMENTS ON AND PROCEEDS OF THE 2025 M BONDS ARE INSUFFICIENT OR OTHERWISE UNAVAILABLE TO MAKE ALL PAYMENTS PROVIDED FOR UNDER THE INDENTURE.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING MEMORANDUM AND ANY TERM SHEET PROVIDED TO PROSPECTIVE INVESTORS BY THE ISSUING ENTITY (OR THE INITIAL PURCHASERS ON BEHALF OF THE ISSUING ENTITY) PRIOR TO THE DELIVERY OF THIS OFFERING MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE 2025 M BONDS. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR WILL THERE BE ANY SALE OF THE 2025 M BONDS, IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH STATE OR OTHER JURISDICTION. THE DELIVERY OF THIS OFFERING MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THE ISSUING ENTITY AND THE INITIAL PURCHASERS RESERVE THE RIGHT TO REJECT ANY OFFER TO PURCHASE THE 2025 M BONDS IN WHOLE OR IN PART, FOR ANY REASON, OR TO SELL LESS THAN THE FULL AMOUNT OF THE 2025 M BONDS OFFERED HEREBY.

BY ACQUIRING A 2025 M BOND (OR ANY INTEREST THEREIN), EACH PURCHASER OR TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN (AS DEFINED BELOW), ITS FIDUCIARY) IS DEEMED TO (A) REPRESENT AND WARRANT THAT EITHER (I) SUCH PURCHASER OR TRANSFEREE IS NOT, AND IS NOT, DIRECTLY OR INDIRECTLY, ACQUIRING SUCH 2025 M BOND OR INTEREST THEREIN (AND FOR SO LONG AS IT HOLDS SUCH 2025 M BOND (OR ANY INTEREST THEREIN), WILL NOT BE AND WILL NOT BE, DIRECTLY OR INDIRECTLY, ACQUIRING SUCH 2025 M BOND OR ANY INTEREST THEREIN), FOR OR ON BEHALF OF OR WITH THE ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" THAT IS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**)**,** THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (**INTERNAL REVENUE CODE**), THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH A **BENEFIT PLAN INVESTOR**), OR ANY "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, "CHURCH PLAN" WITHIN THE, MEANING OF SECTION 3(33) OF ERISA OR A PLAN MAINTAINED OUTSIDE OF THE U.S PRIMARILY FOR THE BENEFIT OF PERSONS SUBSTANTIALLY ALL OF WHOM ARE NON-RESIDENT ALIENS AS DESCRIBED IN SECTION 4(B)(4) OF ERISA (A "NON-U.S. PLAN"), IN EACH CASE, THAT IS SUBJECT TO ANY PROVISION OF STATE OR LOCAL OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE INTERNAL REVENUE CODE ("**SIMILAR LAW**"), OR (II) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH 2025 M BOND (OR ANY INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE AND WILL BE CONSISTENT WITH ANY APPLICABLE FIDUCIARY DUTIES UNDER ERISA THAT MAY BE IMPOSED UPON THE PURCHASER OR TRANSFEREE AND, IF THE PURCHASER OR TRANSFEREE IS A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S.PLAN SUBJECT TO SIMILAR LAW, THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH 2025 M BOND (OR ANY INTEREST THEREIN) WILL NOT RESULT IN A VIOLATION OF SIMILAR LAW AND (B) ACKNOWLEDGE AND AGREE THAT SUCH 2025 M BOND (OR ANY INTEREST THEREIN) MAY NOT BE ACQUIRED BY ANY BENEFIT PLAN INVESTOR OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW UNLESS, AT ANY TIME THAT SUCH 2025 M BOND (OR ANY INTEREST THEREIN) IS ACQUIRED BY SUCH BENEFIT PLAN INVESTOR OR GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S.PLAN SUBJECT TO SIMILAR LAW, SUCH 2025 M BOND IS RATED AT LEAST "BBB-" OR ITS EQUIVALENT BY A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION AND IS NOT TREATED AS OTHER THAN INDEBTEDNESS FOR APPLICABLE LOCAL LAW PURPOSES AND THAT SUCH PURCHASER OR TRANSFEREE WILL SO TREAT SUCH 2025 M BOND. PLEASE SEE "ERISA CONSIDERATIONS" IN THIS OFFERING MEMORANDUM. THE 2025 M BONDS MAY NOT BE SOLD IN THIS OFFERING WITHOUT DELIVERY OF A FINAL OFFERING MEMORANDUM.

THE 2025 M BONDS REFERRED TO IN THIS OFFERING MEMORANDUM ARE SUBJECT TO MODIFICATION OR REVISION (INCLUDING THE POSSIBILITY THAT THE 2025 M BONDS MAY BE SPLIT, COMBINED OR ELIMINATED AT ANY TIME PRIOR TO ISSUANCE OR AVAILABILITY OF A FINAL MEMORANDUM) AND ARE OFFERED ON A "WHEN, AS AND IF ISSUED" BASIS. PROSPECTIVE INVESTORS SHOULD UNDERSTAND THAT, WHEN CONSIDERING THE PURCHASE OF THE 2025 M BONDS, AS TO ANY INVESTOR A CONTRACT OF SALE WILL COME INTO BEING NO SOONER THAN THE DATE ON WHICH THE REPRESENTATIVES OF THE INITIAL PURCHASERS HAS CONFIRMED TO THE INVESTOR THE SALE OF A SPECIFIED AMOUNT OF THE 2025 M BONDS AT A SPECIFIED PRICE, ANY "INDICATIONS OF INTEREST" EXPRESSED BY ANY PROSPECTIVE INVESTOR, AND ANY "SOFT

CIRCLES" GENERATED BY THE INITIAL PURCHASERS, WILL NOT CREATE BINDING CONTRACTUAL OBLIGATIONS FOR SUCH PROSPECTIVE INVESTORS, ON THE ONE HAND, OR THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES, ON THE OTHER HAND.

AS A RESULT OF THE FOREGOING, A PROSPECTIVE INVESTOR MAY COMMIT TO PURCHASE 2025 M BONDS THAT HAVE CHARACTERISTICS THAT MAY CHANGE, AND EACH PROSPECTIVE INVESTOR IS ADVISED THAT ALL OR A PORTION OF THE BONDS REFERRED TO IN THIS OFFERING MEMORANDUM MAY BE ISSUED WITHOUT ALL OR CERTAIN OF THE CHARACTERISTICS DESCRIBED IN THIS OFFERING MEMORANDUM OR MAY BE ISSUED WITH CHARACTERISTICS THAT DIFFER FROM THE CHARACTERISTICS DESCRIBED IN THIS OFFERING MEMORANDUM. THE INITIAL PURCHASERS' OBLIGATIONS TO SELL 2025 M BONDS TO ANY PROSPECTIVE INVESTOR IS CONDITIONED ON THE 2025 M BONDS AND THE TRANSACTION HAVING THE CHARACTERISTICS DESCRIBED HEREIN. IF THE INITIAL PURCHASERS DETERMINE THAT ONE OR MORE CONDITIONS ARE NOT SATISFIED IN ANY MATERIAL RESPECT, SUCH PROSPECTIVE INVESTOR WILL BE NOTIFIED, AND NEITHER THE INITIAL PURCHASERS NOR ANY OF ITS AGENTS OR AFFILIATES WILL HAVE ANY OBLIGATION TO SUCH PROSPECTIVE INVESTOR TO DELIVER ANY PORTION OF THE 2025 M BONDS WHICH SUCH PROSPECTIVE INVESTOR HAS COMMITTED TO PURCHASE, AND THERE WILL BE NO LIABILITY BETWEEN THE INITIAL PURCHASERS OR ANY OF ITS RESPECTIVE AGENTS OR AFFILIATES, ON THE ONE HAND, AND SUCH PROSPECTIVE INVESTOR, ON THE OTHER HAND, AS A CONSEQUENCE OF SUCH NON-DELIVERY.

THIS OFFERING MEMORANDUM IS PERSONAL TO EACH OFFEREE AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE ANY OF THE 2025 M BONDS. DISTRIBUTION OF THIS OFFERING MEMORANDUM TO ANY PERSON OTHER THAN THE OFFEREE AND THOSE PERSONS, IF ANY, RETAINED TO ADVISE SUCH OFFEREE WITH RESPECT THERETO IS UNAUTHORIZED, AND ANY DISCLOSURE OF ANY OF THE CONTENTS THEREOF OR HEREOF WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUING ENTITY IS PROHIBITED. EACH PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, AGREES TO THE FOREGOING AND THAT IT WILL NOT MAKE ANY COPIES OF, NOR FORWARD, THIS OFFERING MEMORANDUM OR ANY DOCUMENTS REFERRED TO HEREIN AND, IF THE OFFEREE DOES NOT PURCHASE ANY 2025 M BONDS OR THIS OFFERING IS TERMINATED, TO RETURN TO THE ISSUING ENTITY THIS OFFERING MEMORANDUM, AND ALL DOCUMENTS DELIVERED HEREWITH.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE ISSUING ENTITY AND ERCOT, AS SPONSOR AND DEPOSITOR, SOLELY FOR USE IN CONNECTION WITH THE SALE OF THE 2025 M BONDS. NONE OF THE SPONSOR, THE ISSUING ENTITY, THE SERVICER, THE SELLER, THE TRUSTEE OR THE INITIAL PURCHASERS MAKE ANY REPRESENTATIONS OR WARRANTIES AS TO THE FUTURE PERFORMANCE OF THE ISSUING ENTITY OR THE 2025 M BONDS.

INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE 2025 M BONDS. REPRESENTATIVES OF THE ISSUING ENTITY AND THE SPONSOR WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE 2025 M BONDS AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST.

THE APPROPRIATE CHARACTERIZATION OF THE 2025 M BONDS UNDER VARIOUS LEGAL INVESTMENT RESTRICTIONS, AND THUS THE ABILITY OF INVESTORS SUBJECT TO THESE RESTRICTIONS TO PURCHASE SUCH 2025 M BONDS, IS SUBJECT TO SIGNIFICANT INTERPRETIVE UNCERTAINTIES. ACCORDINGLY, INVESTORS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE 2025 M BONDS CONSTITUTE LEGAL INVESTMENTS FOR THEM.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the 2025 M Bonds, the Issuing Entity will be required to furnish, upon the request of any holder of the 2025 M Bonds, to such holder and a prospective investor designated by such holder, the information required to be delivered under the SEC's promulgating release for Rule 144A and Rule 144A(d)(4) under the Securities Act. Also, certain reports will be posted on the sponsor's website at https://www.ercot.com/about/hb4492securitization/subchapterm

EU AND UK SECURITIZATION RISK RETENTION

None of the Sponsor, the Issuing Entity or the Initial Purchasers consider that the 2025 M Bonds fall within the definition of a "securitisation" for the purposes of the EU Securitization Rules or the UK Securitization Framework and therefore none of the Sponsor, the Issuing Entity or the Initial Purchasers or any other party to the transaction intends, or is required, to retain a material net economic interest in the securitization constituted by the issuance of the securities in a manner that would satisfy any requirements of the EU Securitization Rules or the UK Securitization Framework. In addition, no such person undertakes, or makes any representation or agreement that it or any other party will take any other action, or refrain from taking any action, prescribed or contemplated in, or for purposes of, or in connection with, compliance by any investor with any applicable requirement of, the EU Securitization Rules or the UK Securitization Framework. However, if a competent authority were to take a contrary view and determine that the transactions described in this Offering Memorandum do constitute a "securitisation" for the purposes of the EU Securitization Regulation or the UK Securitization Framework, then any failure by an affected investor to comply with any applicable EU Securitization Rules or the UK Securitization Framework (as applicable) with respect to an investment in the 2025 M Bonds may result in the imposition of a penal regulatory capital charge on that investment or of other regulatory sanctions and remedial measures.

Consequently, the 2025 M Bonds may not be a suitable investment for affected investors. As a result, the price and liquidity of the 2025 M Bonds in the secondary market may be adversely affected.

Prospective investors are responsible for analyzing their own legal and regulatory position and are advised to consult with their own advisors and any relevant regulator or other authority regarding the scope applicability and compliance requirements of the EU Securitization Rules and the UK Securitization Framework, and the suitability of the 2025 M Bonds for investment. None of the Sponsor, the Issuing Entity or the Initial Purchasers, nor any other party to the transactions described in this Offering Memorandum make any representations as to any such matter, or have any liability to any investor (or any other person) for any non-compliance by any such person with the EU Securitization Rules, the UK Securitization Framework or any other applicable legal, regulatory or other requirements.

For further information concerning the EU Securitization Rules and the UK Securitization Framework, see "*European Union and United Kingdom Securitization Framework may apply and the 2025 M Bonds may not be suitable investments for certain investors*" in this Offering Memorandum.

NOTICE TO UNITED KINGDOM INVESTORS

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF REGULATION (EU) 2017/1129 (AS AMENDED), AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE UK's EUROPEAN UNION (WITHDRAWAL) ACT 2018, OR THE **UK PROSPECTUS REGULATION**.

THE DISTRIBUTION OF THIS OFFERING MEMORANDUM AND ANY OTHER MATERIAL IN RELATION TO THE 2025 M BONDS IS ONLY BEING DISTRIBUTED TO AND IS DIRECTED IN THE UNITED KINGDOM ONLY AT PERSONS WHO ARE "QUALIFIED INVESTORS" (AS DEFINED IN THE UK PROSPECTUS REGULATION) WHO ARE (1) "INVESTMENT PROFESSIONALS" FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED, OR THE **FINANCIAL PROMOTION ORDER**, OR (2) HIGH NET WORTH ENTITIES OR OTHER PERSONS FALLING WITHIN ARTICLES 49(2)(A) THROUGH (D) OF THE FINANCIAL PROMOTION ORDER OR (3) PERSONS WHO OTHERWISE FALL WITHIN AN EXEMPTION SET FORTH IN THE FINANCIAL PROMOTION ORDER SO THAT SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT, OR **FSMA**, DOES NOT APPLY TO THE ISSUING ENTITY (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS THE "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN THE UNITED KINGDOM BY PERSONS WHO ARE NOT RELEVANT PERSONS AND ONLY RELEVANT PERSONS MAY INVEST IN THE 2025 M BONDS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES, INCLUDING THE 2025 M BONDS AND ANY INVITATION, OFFER OR, AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH 2025 M BONDS IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS OFFERING MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL AND NO PART OF THIS OFFERING MEMORANDUM SHOULD BE PUBLISHED, REPRODUCED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE IN WHOLE OR IN PART TO ANY OTHER PERSON IN THE UNITED KINGDOM. THE 2025 M BONDS ARE NOT BEING OFFERED OR SOLD TO ANY PERSON IN THE UNITED KINGDOM, EXCEPT IN CIRCUMSTANCES WHICH WILL NOT RESULT IN AN OFFER OF SECURITIES TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF PART VI OF THE FSMA.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS OFFERING MEMORANDUM OR ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, EACH PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF EACH PROSPECTIVE INVESTOR) OF THE 2025 M BONDS MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE 2025 M BONDS OFFERED HEREBY AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO SUCH PROSPECTIVE INVESTOR (OR ITS AGENT) RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN U.S. TREASURY REGULATIONS SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH THE PROSPECTIVE INVESTOR REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

PROSPECTIVE INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE 2025 M BONDS AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

THE 2025 M BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY UK RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THIS PURPOSE, THE EXPRESSION “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF THE FOLLOWING: (1) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE UK’s EUROPEAN UNION (WITHDRAWAL) ACT 2018; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE UK’s EUROPEAN UNION (WITHDRAWAL) ACT 2018, AS AMENDED; OR (III) NOT A QUALIFIED INVESTOR, OR **UK QUALIFIED INVESTOR**, AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE UK’s EUROPEAN UNION (WITHDRAWAL) ACT 2018.

CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE UK’s EUROPEAN UNION (WITHDRAWAL) ACT 2018, AS AMENDED, OR THE **UK PRIIPS REGULATION**, FOR OFFERING OR SELLING THE 2025 M BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE 2025 M BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAYBE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF THE 2025 M BONDS IN THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE UK PROSPECTUS REGULATION FROM A REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF SECURITIES.

UK MIFID II PRODUCT GOVERNANCE

SOLELY FOR THE PURPOSES OF THE MANUFACTURER’S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE 2025 M BONDS HAVE LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE 2025 M BONDS IS ONLY ELIGIBLE COUNTERPARTIES, AS DEFINED IN THE UK’S FINANCIAL CONDUCT AUTHORITY, OR THE **FCA**, HANDBOOK CONDUCT OF BUSINESS SOURCEBOOK, OR **COBS**, AND PROFESSIONAL CLIENTS, AS DEFINED IN REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE UK’s EUROPEAN UNION(WITHDRAWAL) ACT 2018, OR **UK MIFIR**; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE 2025 M BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE 2025 M BONDS, OR A **DISTRIBUTOR**, SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER’S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK, OR THE **UK MIFIR PRODUCT GOVERNANCE RULES**, IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE 2025 M BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURER’S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS. NONE OF THE SPONSOR, THE ISSUING ENTITY, THE INITIAL PURCHASERS OR ANY OTHER PARTY TO THE TRANSACTION MAKES ANY REPRESENTATIONS OR WARRANTIES AS TO A DISTRIBUTOR’S COMPLIANCE WITH THE UK MIFIR PRODUCT GOVERNANCE RULES.

NOTICE TO RESIDENTS OF CANADA

THIS OFFERING MEMORANDUM IS NOT AND IS UNDER NO CIRCUMSTANCES TO BE CONSTRUED AS A PROSPECTUS, AN ADVERTISEMENT OR A PUBLIC OFFERING OF THE 2025 M BONDS IN CANADA. NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THIS OFFERING MEMORANDUM OR THE MERITS OF THE 2025 M BONDS AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

THE 2025 M BONDS MAY BE SOLD IN THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, ONTARIO AND QUÉBEC, CANADA, OR THE **SUBJECT PROVINCES**, ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS THROUGH A DEALER THAT IS PROPERLY REGISTERED UNDER THE SECURITIES LEGISLATION OF THE SUBJECT PROVINCE WHERE THE 2025 M BONDS ARE OFFERED AND/OR SOLD OR, ALTERNATIVELY, BY A DEALER THAT QUALIFIES UNDER AND IS RELYING UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREIN. THE DISTRIBUTION OF THE 2025 M BONDS IS BEING MADE IN THE SUBJECT PROVINCES ON A PRIVATE PLACEMENT BASIS EXEMPT FROM THE REQUIREMENT THAT THE ISSUING ENTITY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES. ANY RESALE OF THE 2025 M BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS. CANADIAN PURCHASERS ARE ADVISED TO SEEK LEGAL ADVICE PRIOR TO ANY RESALE OF THE SECURITIES.

THE DEALER MAY HAVE AN OWNERSHIP, LENDING OR OTHER RELATIONSHIP WITH THE ISSUING ENTITY OF THE SECURITIES OFFERED BY THIS OFFERING MEMORANDUM THAT MAY CAUSE THE ISSUING ENTITY TO BE A **RELATED ISSUER** OR **CONNECTED ISSUER** TO THE DEALER, AS SUCH TERMS ARE DEFINED IN NATIONAL INSTRUMENT 33-105 – UNDERWRITING CONFLICTS, OR **NI 33-105**. PURSUANT TO SECTION 3A.3 OF NI 33-105, THE DEALER AND THE ISSUING ENTITY ARE RELYING ON AN EXEMPTION FROM THE DISCLOSURE REQUIREMENTS RELATING TO THE RELATIONSHIP BETWEEN THE DEALER AND THE ISSUING ENTITY PRESCRIBED BY SECTION 2.1(1) OF NI 33-105.

SECURITIES LEGISLATION IN THE RELEVANT PROVINCES MAY PROVIDE A PURCHASER WITH OR REQUIRES A PURCHASER TO BE PROVIDED WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFERING MEMORANDUM (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

NO REPRESENTATION OR WARRANTY IS MADE AS TO THE TAX CONSEQUENCES TO A RESIDENT OF CANADA OF AN INVESTMENT IN THE 2025 M BONDS. CANADIAN PURCHASERS SHOULD CONSULT WITH THEIR OWN LEGAL, FINANCIAL AND TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE 2025 M BONDS IN THEIR PARTICULAR CIRCUMSTANCES AND WITH RESPECT TO ELIGIBILITY OF AN INVESTMENT IN THE 2025 M BONDS FOR INVESTMENT BY THE PURCHASER UNDER APPLICABLE CANADIAN FEDERAL AND PROVINCIAL LEGISLATION AND REGULATIONS. PROSPECTIVE PURCHASERS IN THE RECOVERY 2025 M BONDS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE CANADIAN AND OTHER TAX CONSIDERATIONS APPLICABLE TO THEM.

UPON RECEIPT OF THIS OFFERING MEMORANDUM, EACH CANADIAN INVESTOR HEREBY CONFIRMS THAT IT HAS EXPRESSLY REQUESTED THAT ALL DOCUMENTS EVIDENCING OR RELATING IN ANY WAY TO THE SALE OF THE SECURITIES DESCRIBED HEREIN (INCLUDING FOR GREATER CERTAINTY ANY PURCHASE CONFIRMATION OR ANY NOTICE) BE DRAWN UP IN THE ENGLISH LANGUAGE ONLY. PAR LA RÉCEPTION DE CE DOCUMENT, CHAQUE INVESTISSEUR CANADIEN CONFIRME PAR LES PRÉSENTES QU'IL A EXPRESSÉMENT EXIGÉ QUE TOUS LES DOCUMENTS FAISANT FOI OU SE RAPPORTANT DE QUELQUE MANIÈRE QUE CE SOIT À LA VENTE DES VALEURS MOBILIÈRES DÉCRITES AUX PRÉSENTES (INCLUANT, POUR PLUS DE CERTITUDE, TOUTE CONFIRMATION D'ACHAT OU TOUT AVIS) SOIENT RÉDIGÉS EN ANGLAIS SEULEMENT.

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ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum provides information about us, the 2025 M Bonds and ERCOT, the depositor, sponsor and initial servicer. This Offering Memorandum describes the terms of the 2025 M Bonds offered hereby. You should carefully review this Offering Memorandum, and the information, if any, contained in the documents referenced in this Offering Memorandum under the heading "Where Prospective Investors Can Find More Information."

References in this Offering Memorandum to the term **we**, **us**, or the Issuing Entity mean Texas Electric Market Stabilization Funding M LLC, a Delaware limited liability company, the entity which will issue the 2025 M Bonds. References to **"Texas Stabilization Subchapter M Bonds, Series 2025"** or **"2025 M Bonds"** unless the context otherwise requires, means the Texas Electric Market Stabilization Funding M LLC's Texas Stabilization Subchapter M Bonds, Series 2025 offered pursuant to this Offering Memorandum. References to **ERCOT**, the **seller**, the **depositor** or the **sponsor** mean Electric Reliability Council of Texas, Inc., a nonprofit corporation described in Section 501(c)(4) of the Internal Revenue Code of 1986, as amended, organized under the laws of the state of Texas. References to the servicer refer to ERCOT and any successor servicer under the Servicing Agreement referred to in this Offering Memorandum. References to "**PURA**" refer to the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code. The Texas Legislature, or the **Legislature**, amended PURA, effective as of June 16, 2021, by adding among other things, Subchapter M to Chapter 39, which provides for recovery of the default balance incurred as a result of Winter Storm Uri in Texas in February 2021. We refer to this legislation as "**Subchapter M**." ERCOT may recover costs associated with implementing the debt obligation order, or **costs**, through nonbypassable default charges assessed on Wholesale Market Participants within the ERCOT power region market. References to **QSEs** refer to qualified scheduling entities and **CRRAHs** refer to holders of congestion revenue rights as each is defined in the glossary. References to the **Commission** or **PUCT** refer to the Public Utility Commission of Texas. You can find a glossary of some of the other defined terms we use in this Offering Memorandum beginning on page 127 of this Offering Memorandum.

We have included cross-references to sections in this Offering Memorandum where you can find further related discussions. You can also find key topics in the table of contents on the preceding pages. Check the table of contents to locate these sections.

You should rely only on the information contained in this Offering Memorandum specifying the terms of this offering. Neither we nor any Initial Purchaser, agent, dealer, salesperson, the Commission or ERCOT has authorized anyone else to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not offering to sell the 2025 M Bonds in any jurisdiction where the offer or sale is not permitted. The information in this Offering Memorandum is current only as of the date of this Offering Memorandum.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some statements contained in this Offering Memorandum concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are not historical facts, including statements in the documents that are incorporated by reference as discussed in this Offering Memorandum under the heading "Where Prospective Investors Can Find More Information," are *forward-looking statements* within the meaning of the federal securities laws. Actual events or results may differ materially from those expressed or implied by these statements. In some cases, you can identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will," or other similar words.

We have based our forward-looking statements on our management's beliefs, expectations and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual events or results will not differ materially from those expressed or implied by our forward-looking statements. In light of these risks and uncertainties, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. For additional details regarding these and other risks and uncertainties, see "Risk Factors" in this Offering Memorandum.

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

- state and federal legislative, judicial and regulatory actions or developments, including deregulation, reregulation, restructuring of the electric industry and changes in, or changes in application of, laws or regulations applicable to various aspects of ERCOT's business;
- non-payment of default charges due to financial distress of Wholesale Market Participants;
- changes in market demand and demographic patterns or activity within the ERCOT power region;
- weather variations, natural disasters and other natural phenomena, including hurricanes, tropical storms, ice or snow, wildfires, earthquakes, floods and other weather-related events affecting market activity within the ERCOT power region, the ability of Wholesale Market Participants to pay default charges, or ERCOT's ability to service the default property;
- pandemics and other events that cause regional, statewide, national or global disruption which could impact, among other things, electric market activity within the ERCOT power region;
- the implementation and reliability of the systems, procedures and other infrastructure necessary to operate the ERCOT System, including the systems owned and operated by ERCOT;
- national or regional economic conditions affecting electric market activity within the ERCOT power region;
- direct or indirect results of cyber-attacks, security breaches or other attempts to disrupt the business of Wholesale Market Participants, ERCOT, critical vendors, or the Issuing Entity;
- other unforeseen circumstances causing financial distress of Wholesale Market Participants;
- any expectations regarding the outcome of any currently pending litigation or future litigation against or otherwise affecting ERCOT or the Issuing Entity, and the effect of any such litigation on ERCOT's or the Issuing Entity's financial condition or ability to fulfill their respective obligations under the basic documents;
- acts of war or terrorism or other catastrophic events affecting electric market activity in the ERCOT power region; and
- other factors we discuss in this Offering Memorandum.

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

OFFERING MEMORANDUM SUMMARY OF TERMS

The following section is only a summary of selected information and does not provide you with all the information you will need to make your investment decision. There is more detailed information in this Offering Memorandum. To understand all of the terms of the offering of the 2025 M Bonds, carefully read this entire Offering Memorandum. **You should carefully consider the Risk Factors beginning on page 20 of this Offering Memorandum before you invest in the 2025 M Bonds.**

Securities Offered:	$379,100,000 Texas Stabilization Subchapter M Bonds, Series 2025, scheduled to pay principal semi-annually and sequentially in accordance with the expected amortization schedule. Only the 2025 M Bonds are being offered through this Offering Memorandum.
Issuing Entity and Capital Structure:	Texas Electric Market Stabilization Funding M LLC is a special purpose Delaware limited liability company. We have no commercial operations. We were formed solely to purchase and own default property, to issue bonds (including the 2021 M Bonds and the 2025 M Bonds) secured by default property and to perform activities incidental thereto and our organizational documents prohibit us from engaging in any other activity except as specifically authorized by the debt obligation order. The 2021 M Bonds and the 2025 M Bonds are the only bonds which we have issued or are issuing. Texas Electric Market Stabilization Funding M LLC was capitalized with $4 million at the time of the 2021 Bonds Issuance. Those funds, however, are not collateral with respect to the 2025 M Bonds but is available for us to use as we deem necessary, including to support payment of the 2025 M Bonds. A supplemental capital subaccount equal to 0.50% of the aggregate original principal amount of the 2025 M Bonds has been established with the Trustee and is collateral for the repayment of the 2025 M Bonds. Such amounts will allow us to achieve the desired credit rating on the 2025 M Bonds.
Our Address:	8000 Metropolis Drive (Building E), Suite 100 Austin, Texas 78744
Our Telephone Number:	(512) 225-7000
Depositor, Seller, Initial Servicer and Sponsor; The Commission and Legislature's Relationship with ERCOT:	Electric Reliability Council of Texas, Inc., referred to as ERCOT, is a non-profit corporation organized under Texas law serving as an Independent System Operator, colloquially known as an **ISO**, responsible for managing the flow of electric power to more than 27 million Texas consumers. ERCOT was certified by the Public Utility Commission of Texas, effective as of November 10, 2000, as the independent organization to perform the functions mandated under PURA § 31.159(a). ERCOT is governed by a board of directors and subject to oversight by the Commission and the Legislature. The ERCOT Board of Directors is a 12-member board consisting of eight directors (numbers may vary due to vacancies) who are appointed by a three-member nominating committee with such committee members being appointed one each by the Governor of Texas, the Lieutenant Governor of Texas, and the Speaker of the House of Texas. The remaining four members of the ERCOT Board of Directors consist of four ex officio members: the CEO of ERCOT (non-voting member), the Public Counsel of the Office of Public Utility Counsel (voting member), the Chair of the PUCT (non-voting), and a PUCT Commissioner designated by the PUCT Chair (non-voting). All board members are Texas residents and are now required by law to not

	have any fiduciary duty or assets in the electricity market for the ERCOT region. As the ISO for the ERCOT power region, ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and over 1,250 generation units. It also performs financial settlement for the competitive wholesale bulk-power market in Texas and administers retail switching for 8 million premises in areas where customers can choose among various providers, fuel types and energy programs. As an ISO performing an exchange function, ERCOT acts as the central counterparty for all ERCOT power market transactions. However, it does not take market positions by purchasing or delivering electricity on its own account and is not exposed to such market-making risks. The 2025 M Bonds do not constitute a debt, liability or other legal obligation of ERCOT. ERCOT, acting as the initial servicer, and any successor servicer, referred to in this Offering Memorandum as the servicer, will service the default property under the Servicing Agreement with us. Please read "ERCOT: The Depositor, Seller, Initial Servicer and Sponsor" and "The Servicing Agreement" in this Offering Memorandum. ERCOT provided such services under the servicing agreement with respect to the 2021 M Bonds and the default property and currently provides such services under a separate servicing agreement for separate property, referred to as uplift property, securing bonds issued by another wholly owned subsidiary of ERCOT: **Texas Electric Market Stabilization Funding N LLC** referred to as **Texas Funding N**. Please read "Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022" in this Offering Memorandum.
ERCOT's Address:	8000 Metropolis Drive (Building E), Suite 100 Austin, Texas 78744
ERCOT's Phone Number:	(512) 225-7000
Our Relationship with the Commission as it relates to Structuring of the Texas Stabilization Subchapter M Bonds, Series 2025:	• The Commission or its designated representative has a joint decision-making role co-equal with ERCOT with respect to the structuring and pricing of the 2025 M Bonds and all matters related to the structuring and pricing of the 2025 M Bonds will be determined through a joint decision of ERCOT and the Commission or its designated representative; however, the Commission retains final authority to determine if the proposed issuance of the 2025 M Bonds complies with PURA and the debt obligation order. • ERCOT is directed to take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information to allow the Commission or its designated representative to fully participate in, and exercise its decision-making power over, the proposed securitization. • The servicer will file periodic true-ups to the default charges with the Commission on our behalf. We have agreed that certain reports concerning default charge collections will be provided to the Commission.

Trustee:	U.S. Bank National Association, a national banking association, is serving as Trustee under the Indenture and also serves as the Securities Intermediary. Please read "The Trustee" in this Offering Memorandum for a description of the Trustee's duties and responsibilities under the Indenture.
Purpose of Transaction:	This issuance of Texas Stabilization Subchapter M Bonds, Series 2025 will enable ERCOT to refinance the outstanding balance of the Texas Stabilization M Bonds, Series 2021 and pay related offering expenses. The initial financing of the then outstanding default balance through the issuance of the 2021 M Bonds supported the financial integrity of the wholesale electricity market by reducing the risk of further market participant defaults. Additionally, financing of the default balance served a public purpose by stabilizing the wholesale electricity market in the ERCOT power region and providing financial relief for electric consumers. Please see "Use of Proceeds" in this Offering Memorandum.
Transaction Overview:	In February 2021, Winter Storm Uri resulted in outages at many of the generation resources within the ERCOT power region, and the demand for power exceeded supply for several days during the week of the storm. The inadequate supply of power required that Load be involuntarily shed to protect the integrity of the ERCOT System grid, and many Texas homes and businesses lost power for extended periods that week. This condition also drove up prices in the wholesale electricity market resulting in great financial burdens to both market participants and the ultimate electric customers. As a result of these market conditions, ERCOT was unable to collect sufficient funds to fully pay certain wholesale market participants who were due payments from ERCOT for power they produced into the ERCOT System during the storm. For a discussion of how ERCOT has addressed default balances that resulted from Winter Storm Uri see "Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022." In response to the impact of Winter Storm Uri on the ERCOT power region, the Legislature enacted Subchapter M to provide funds to help market participants meet their obligations. The debt financing mechanism authorized in Subchapter M was intended to benefit wholesale market participants, who were owed money, to get paid in a timelier manner, replenish financial revenue auction receipts temporarily used by ERCOT to reduce the amounts related to Winter Storm Uri that were short-paid to wholesale market participants, and allow the wholesale market to repay the default balance over time. Please read "ERCOT: The Depositor, Seller, Initial Servicer, and Sponsor—QSEs" in this Offering Memorandum. In accordance with Subchapter M, the Commission issued an irrevocable debt obligation order authorizing a nonbypassable default charge to be assessed to all Wholesale Market Participants (other than ICE NGX Canada Inc. and the City of Lubbock, acting through Lubbock Power & Light or another market participant that reregisters as a clearinghouse, collectively the **Exempt Customers**). Please read "ERCOT's Debt Obligation Order" for a discussion of the costs authorized in the debt obligation order.

Subchapter M permitted ERCOT, as an ISO, to transfer its rights and interests under the debt obligation order, including the right to impose, collect and receive default charges, to a special purpose entity (Texas Electric Market Stabilization Funding M LLC) formed by ERCOT to issue debt securities secured by default property, including the right to receive revenues arising from the default charges, among other rights pursuant to the debt obligation order and, the Servicing Agreement. This was accomplished in connection with the issuance of the 2021 M Bonds. ERCOT's right to receive the default charges, all revenues and collections resulting from the default charges and its other rights and interests under the Servicing Agreement upon transfer to the Issuing Entity, constituted the default property. Under Subchapter M, default property did not come into existence until the rights or interests of ERCOT under the debt obligation order were first transferred to an assignee or pledged in connection with the issuance of the 2021 M Bonds. However, for convenience of reference in this Offering Memorandum, the transfer of ERCOT's rights under the debt obligation order is sometimes referred to as the sale of the default property.

References in this Offering Memorandum to the debt obligation order, unless the context indicates otherwise, mean the debt obligation order issued by the Commission on October 14, 2021, under Docket Number 52321, which is further described below. Please read "ERCOT's Debt Obligation Order."

On October 14, 2021, the Commission issued the debt obligation order enabling ERCOT to recover the default balance and certain other costs through the issuance of the 2021 M Bonds, in an aggregate principal amount not to exceed the **securitizable amount,** which included $800,000,000 as the default balance including up-front costs as discussed in the debt obligation order. Please read "ERCOT's Debt Obligation Order" for a discussion of the costs authorized in the debt obligation order. The default charges were assessed to all Wholesale Market Participants to pay the 2021 M Bonds and will be assessed to all Wholesale Market Participants to pay the 2025 M Bonds and any ongoing costs. Such Wholesale Market Participants are financially responsible for the payment of default charges, whether or not Wholesale Market Participants receive any payments from the other market participants which they may represent.

The 2025 M Bonds are being issued to refinance the outstanding 2021 M Bonds and fund certain costs associated with their issuance. In practice, ultimate repayment of the 2025 M Bonds will be funded by Wholesale Market Participants. The composition and credit profiles of individual QSEs, CRRAHs and other market participants are not critical for the ERCOT Subchapter M Securitization. As described herein, the mandatory security deposits are designed to mitigate any credit exposures. See "— Credit Enhancements." Furthermore, any unpaid balances of default charges will be payable by other Wholesale Market Participants through the true-up mechanism that are not subject to caps. See "ERCOT'S Debt Obligation Order – True-Up Mechanisms for Payment of Scheduled Principal and Interest."

While certain Wholesale Market Participants may from time to time may exit the market, numerous other existing and new Wholesale Market Participants have a strong incentive to and are expected to

take advantage of the opportunity to participate in the ERCOT market. For example, each year since 2014, there has been a net increase in the total number of Wholesale Market Participants in the ERCOT Market, as more new Wholesale Market Participants choose to enter the ERCOT market than those that left. Even in 2022, the year following Winter Storm Uri, there was a net growth of 37 Wholesale Market Participants due to new entrants into the ERCOT market. Under the ERCOT Nodal Protocols applicable to the default charges and the 2025 M Bonds, any changes in the composition of the QSEs, CRRAHs or other market participants should, therefore, not affect the collectability of the default charges necessary to pay debt service and other ongoing costs in full. The default charges will continue to be assessed to the Wholesale Market Participants in the ERCOT market throughout the life of the 2025 M Bonds.

The primary transactions underlying the offering of the 2025 M Bonds are as follows:

- ERCOT sold the default property to us in exchange for the net proceeds from the sale of the 2021 M Bonds,

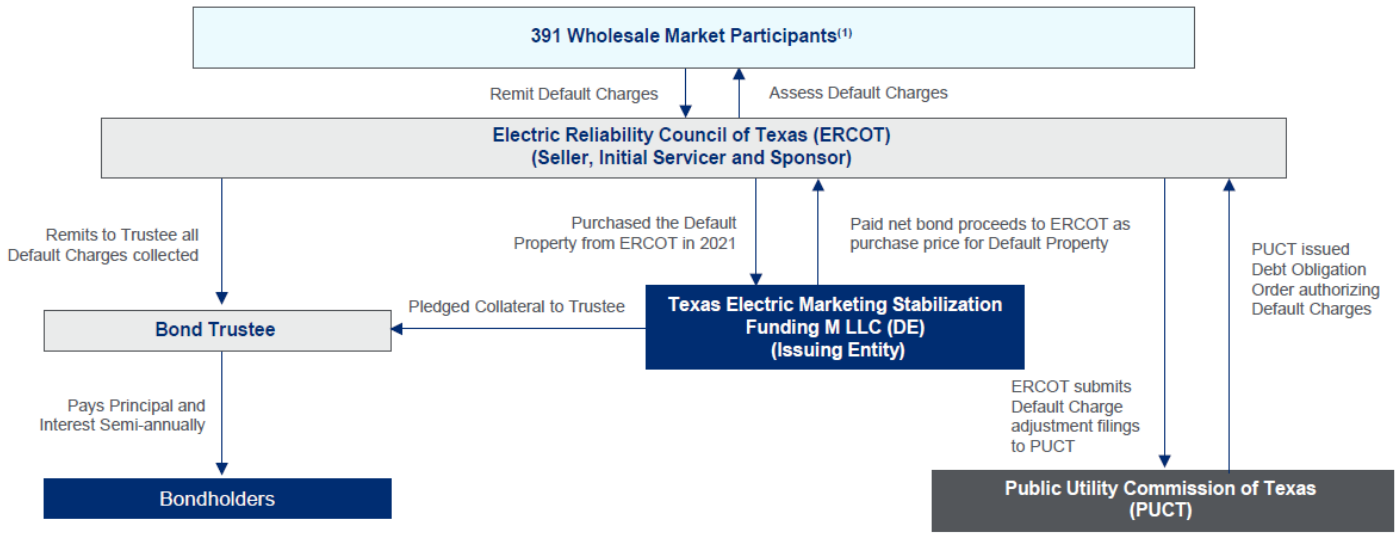
- We will sell the 2025 M Bonds (to refinance the outstanding 2021 M Bonds) that will be secured primarily by the default property to the Initial Purchasers for resale under Rule 144A as contemplated herein, and

- ERCOT will act as the initial servicer of the default property.

The 2025 M Bonds are not obligations of the Trustee, our managers, ERCOT, or of any of their affiliates other than us. The 2025 M Bonds are also not obligations of the state of Texas or any governmental agency, authority or instrumentality of the state of Texas.

Transaction Overview

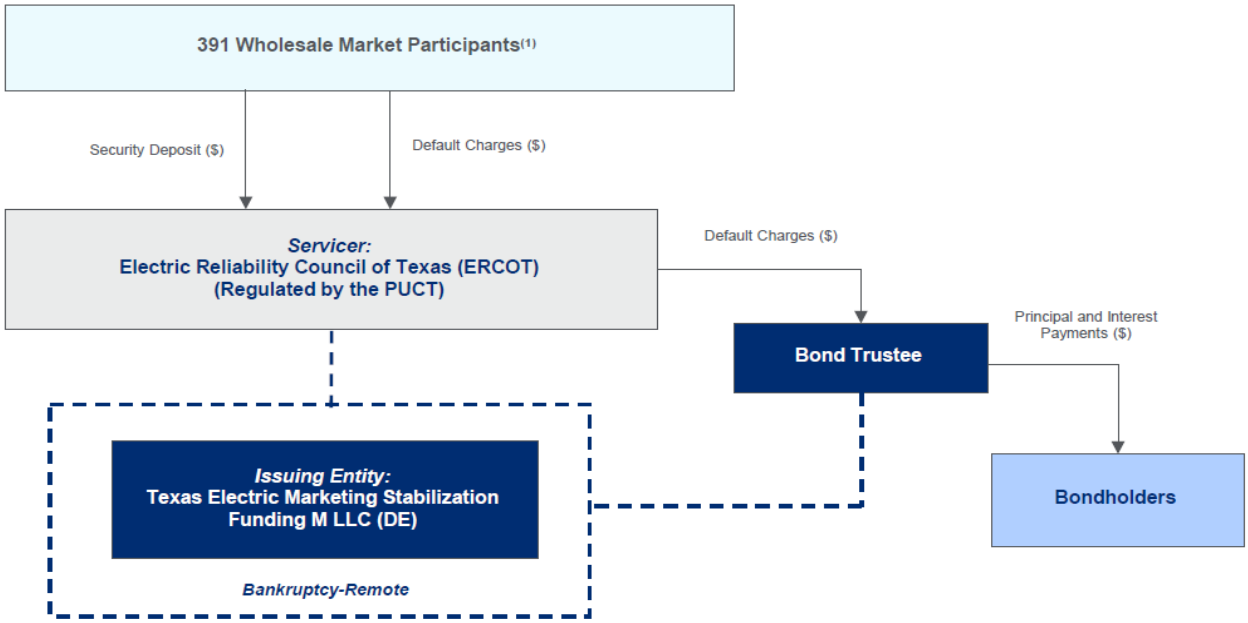
The following chart represents a general summary of the parties impacted by the transactions underlying the Texas Stabilization M Bonds, Series 2025, their roles and their various relationships to the other parties:



(1) For the calendar year 2024.

2025 M Bond Flow of Funds

The following chart represents a general summary of the ongoing flow of funds:



(1) For the calendar year 2024.

The Collateral:	The 2025 M Bonds are secured only by our assets. The principal asset securing the Bonds will be the default property, which is a present property right created under Subchapter M by the debt obligation order issued by the Commission. The default property collateral also includes: • our rights under the Sale Agreement and the **"Bill of Sale"** executed in connection therewith (pursuant to which we previously acquired the default property), under an Administration Agreement and under the Bill of Sale delivered by ERCOT pursuant to the Sale Agreement, • our rights under the debt obligation order, including our rights under the statutory true-up mechanism, • our rights under the Servicing Agreement and the Administration Agreement, including the obligation of the servicer to bill and collect from Wholesale Market Participants default charges to meet payments on the 2025 M Bonds, • the collection account for the 2025 M Bonds and all related subaccounts, including the supplemental capital subaccount, • our rights in all deposits, guarantees, letters of credit and other forms of credit support provided by or on behalf of Wholesale Market Participants pursuant to the debt obligation order Account Holders pursuant to the Servicing Agreement and the debt obligation order, • all of our other property related to the 2025 M Bonds, • all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and • all payments on or under and all proceeds in respect of any or all of the foregoing. The subaccounts consist of a general subaccount, into which the servicer will deposit all default charge collections, an excess funds subaccount, into which we will transfer any amounts collected and remaining on a payment date after all payments to holders of the 2025 M Bonds and other parties have been made, and the supplemental capital subaccount. Amounts on deposit in each of these subaccounts will be available to make payments on the 2025 M Bonds on each payment date. For a description of the default property, please read "Description of the Default Property" in this Offering Memorandum. At closing, the supplemental capital subaccount will be equal to 0.50% of the initial aggregate principal amount of the 2025 M Bonds, and that will allow us to achieve the desired credit rating on the 2025 M Bonds. The collateral for the 2025 M Bonds will be separate from the collateral for the Texas Stabilization N Bonds, which were issued by a different issuing entity from us, and holders of the 2025 M Bonds will have no recourse to the collateral for that other issuance. Please read "Security for the 2025 M Bonds."

The Default Property:	In general terms, all of the rights and interests of ERCOT under the debt obligation order that were transferred to us pursuant to the Sale Agreement are referred to in this Offering Memorandum as the default property. The default property consists of all of ERCOT's rights and interests under the debt obligation order transferred to us in connection with the issuance of the Texas Stabilization M Bonds, Series 2021, including our rights under the Servicing Agreement and other transaction agreements, the irrevocable right to impose, collect and receive nonbypassable default charges and the right to implement the true-up adjustments. Default property is a present property right created by Subchapter M and the debt obligation order and is protected by the State Pledge in Subchapter M described below. Default charges are payable on a pro rata basis by all Wholesale Market Participants. Default charges are assessed, as a monthly charge, to all Wholesale Market Participants, including Wholesale Market Participants who are in default but still participating in the ERCOT wholesale market and those who have entered or may enter the market after implementation of the debt obligation order, but excluding the Exempt Customers. Default charges are allocated to all Wholesale Market Participants based on each Wholesale Market Participant's activity ratio share in the most recent month for which final settlement data is available on a rolling basis. The activity ratio share of activity is calculated by using the formula in the ERCOT Nodal Protocols. Please see "ERCOT: The Depositor, Seller, Initial Servicer and Sponsor - QSEs" and "CRRAHs" for further discussion of the calculation of activity ratio share. The default charges authorized in the debt obligation order are irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission, except through the authorized true-up adjustments. The default charges are subject to annual true-up adjustments to correct over-collections and under-collections, during the preceding twelve (12) months to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the 2025 M Bonds. The default charges are further subject to semi-annual true-up adjustments to correct under-collections to assure the timely payment of the 2025 M Bonds based on rating-agency and bondholder considerations, and optional interim true-up adjustments, on a more frequent basis as needed. Please read "The Servicing Agreement—Services Related to True-Up Adjustments." All revenues and collections resulting from the default charges are part of the default property. We purchased the default property from ERCOT in connection with the issuance of the 2021 M Bonds and the default property will similarly support the issuance of the 2025 M Bonds. The servicer will (i) assess and collect the applicable nonbypassable default charges from all Wholesale Market Participants, and (ii) remit the collections to the Trustee. Wholesale Market Participants are responsible for the payment of all settlement charges, including default charges, regardless of whether or not a market participant represented by a QSE makes payments to its respective QSE. Please read "ERCOT's Debt Obligation Order" in this Offering Memorandum, as well as the chart entitled "Parties to Transaction and Responsibilities," "Subchapter M" and "Description of the Default

	Property—Creation of Default Property; Debt Obligation Order" in this Offering Memorandum. Each QSE representing one or more other market participants and CRRAH will be invoiced on a monthly basis and pay the applicable default charges on or before the second bank business day after it receives the invoice from the servicer, whether or not the Wholesale Market Participant has collected all applicable amounts owed it by other market participants. Please read "Risk Factors—Risks Associated with Potential Bankruptcy Proceedings of Wholesale Market Participants," "Wholesale Market Participants" and "How a Bankruptcy May Affect Your Investment—Bankruptcy of a Wholesale Market Participant."
State Pledge:	The state of Texas has pledged, or the **State Pledge**, in Subchapter M that it will not take or permit any action that would impair the value of the default property, or reduce, alter, or impair the default charges to be imposed, collected, and remitted to financing parties (including to the Trustee for the benefit of the holders of 2025 M Bonds), until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the 2025 M Bonds have been paid and performed in full. The 2025 M Bonds are not a debt or an obligation of the state of Texas. Please read "Subchapter M—ERCOT Authorized to Cause Issuance of Bonds to Recover the Securitizable Amount" in this Offering Memorandum.
True-Up Mechanisms for Payment of Scheduled Principal and Interest:	The debt obligation order, as authorized by Subchapter M, mandates that default charges to Wholesale Market Participants be reviewed and adjusted at least annually to correct any over-collections or under-collections during the preceding twelve (12) months and to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the 2025 M Bonds. The debt obligation order also requires a semi-annual true-up calculation in order to determine if any under-collections of default charges exist. In addition, the debt obligation order authorizes optional interim true-up adjustments by the servicer on an as needed basis to correct any under-collections in order to ensure the expected recovery of amounts sufficient to provide timely payment of scheduled principal and interest on the 2025 M Bonds, ongoing costs, and to replenish any other draws on any subaccounts. There is no cap on the level of default charges that may be imposed on Wholesale Market Participants to pay on a timely basis scheduled principal and interest on the 2025 M Bonds. Through the true-up mechanisms, which adjust for over-collections and under-collections of default charges due to any reason, the obligations to pay default charges are cross-collateralized among all Wholesale Market Participants. Payment defaults by Wholesale Market Participants that are not immediately covered by security deposits, or other shortfalls, are to be made up by true-up adjustments of the default charges to be paid by all Wholesale Market Participants. If a QSE does not receive payment of default charges from an obligated market participant, the QSE remains liable for payment of the default charges. A Wholesale Market Participant that does not remit default charges when due is subject to termination from the ERCOT market in accordance with the ERCOT Nodal Protocols.

	The debt obligation order became effective in accordance with its terms and, together with the default charges authorized in the debt obligation order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission after it took effect. Please read "Subchapter M—ERCOT caused the Securitization of the Default Balance and Costs" and "The Servicing Agreement—True-Up Adjustment Process" in this Offering Memorandum.
Nonbypassable Default Charges:	Subchapter M mandates, and the debt obligation order requires, the imposition and the collection of default charges from all existing and future Wholesale Market Participants, including current Wholesale Market Participants who are in default but still participating in the wholesale market. Please read "Risk Factors—Other Risks Associated with an Investment in the 2025 M Bonds" in this Offering Memorandum. The default charges are assessed to all Wholesale Market Participants monthly and are allocated among such Wholesale Market Participants based on their activity ratio share in the most recent month for which final settlement data is available on a rolling basis. Please read "Description of the Default Property—Billing and Collection Terms and Conditions" in this Offering Memorandum.
Relationship to the Texas Stabilization M Bonds, Series 2025 and the Texas Stabilization N Bonds, Series 2022:	The 2025 M Bonds are the second series of bonds which ERCOT has sponsored that are secured by the default property created under Subchapter M. In November 2021, Texas Funding M, a special purpose, wholly owned subsidiary of ERCOT, issued $800,000,000 of Texas Stabilization M Bonds, Series 2021, secured by the default property, referred to herein as the **Texas Stabilization M Bonds, Series 2021 or 2021 M Bonds**, in accordance with a debt obligation order issued by the Commission on October 14, 2021. All proceeds of the 2021 M Bonds were promptly distributed thereafter in accordance with the terms thereof. The default property securitized under Subchapter M of Chapter 39 of PURA in the 2021 M Bonds transaction by ERCOT (1) allowed wholesale market participants that were owed money to be paid in a more timely manner, (2) resulted in the replenishment of some financial revenue auction receipts temporarily used by ERCOT to reduce the Winter Storm Uri related amounts short-paid to wholesale market participants, and (3) allowed the wholesale electricity market to repay the default balance over time. The debt obligation order imposed on ERCOT a duty to pursue market participants who defaulted on payment obligations for power purchased during the period of emergency. ERCOT is obligated to report to the Commission on any recoveries through such efforts. The debt obligation order contemplated that ERCOT would recover certain default amounts soon after the issuance of the 2021 M Bonds and use such recoveries to redeem a portion of the 2021 M Bonds early. Of the $382,288,420 in total recoveries by ERCOT, $374,763,872 came from Brazos Electric Cooperative, Inc. as part of its bankruptcy plan of reorganization. In connection with our right to redeem early the 2021 M Bonds without premium or penalty, we notified the Commission in January 2023 of our intent to use the recoveries to early redeem $382,288,420 of the 2021 M Bonds. The effect of that early redemption lowered the outstanding principal balance of the 2021 M Bonds from the then current unpaid balance of $786,088,420 to $403,800,000.

	The debt obligation order authorizes ERCOT to refinance a portion or all of any prior series of Subchapter M bonds, including the 2021 M Bonds. Any such refinancing may be offered for sale in public or private markets consistent with market conditions that will result in the lowest financing cost consistent with then market conditions and the terms of the debt obligation order. ERCOT is not required to apply for a subsequent debt obligation order for any refinancing of Subchapter M bonds, including the 2021 M Bonds; provided, however, that ERCOT is required to file with the Commission a separate issuance advice letter demonstrating compliance with the debt obligation order. In June 2022, our affiliate, Texas Electric Market Stabilization Funding N LLC, issued $2.115 Billion of 2022 N Bonds secured by uplift property. While the nature of the costs recovered through the 2021 M Bonds securitization (being refinanced in part by the 2025 M Bonds) differed, the statutory framework with respect to the right to recover costs and regarding securitization are similar to those regarding recovery of the uplift balance under the 2022 N Bonds securitization. ERCOT currently acts as servicer with respect to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022. Texas Funding N will not have any obligations under the 2025 M Bonds and we will have no obligations under the 2022 N Bonds. The security pledged to secure the 2025 M Bonds will be separate from the security that is securing the 2022 N Bonds. The 2021 M Bonds were, and the 2025 M Bonds will be, issued by a separate entity from the entity that issued the 2022 N Bonds, and the 2025 M Bonds and 2022 N Bonds will each be secured by separate collateral. The default charges and uplift charges will be collected through separate invoices. Default charges are invoiced to a larger pool of market participants than the uplift charges. In addition to charging QSEs, default charges are also invoiced to CRRAHs. Please read “Description of the Texas Stabilization Subchapter M Bonds,” “Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022-Intercreditor Agreement,” and “The Servicing Agreement-Remittances to Collection Account.”
Initial Default Charge:	An estimate of the initial aggregate monthly default charges for a month for the 2025 M Bonds and the estimated aggregate initial monthly default charges for the 2025 M Bonds together with the monthly uplift charges for the 2022 N Bonds would average approximately 0.18% and 1.08%, respectively, of the ERCOT- wide Average Real Time Energy Prices, *as* published by Potomac Economics, Ltd., the independent market monitor for the ERCOT power region, with the single highest monthly percent of prices in the ERCOT power region being approximately 0.48% and 2.91%, respectively (based on the 2022 through 2025 monthly data).
Payment Dates:	Semi-annually, February 1 and August 1 and on the final scheduled payment date of the 2025 M Bonds. The first scheduled payment date is February 1, 2026.

Interest Payments:	Interest is due on each interest payment date. Interest will accrue with respect to the 2025 M Bonds on a 30/360 basis at an interest rate of 5.147%. If any payment date is not a business day, payments scheduled to be made on such date may be made on the next succeeding business day and no interest shall accrue upon such payment during the intervening period. We will pay interest on the 2025 M Bonds before we pay the principal of the 2025 M Bonds. Please read "Description of the Texas Stabilization Subchapter M Bonds, Series 2025—Interest Payments" and "—Principal Payments". If there is a shortfall in the amounts available in the collection account to make interest payments, the Trustee will distribute interest pro rata based on the amount of interest payable on each outstanding 2025 M Bond.
Principal Payments and Record Dates and Payment Sources:	The Issuing Entity is scheduled to make payments of principal on each principal payment date and sequentially in accordance with the Expected Amortization Schedule included in this Offering Memorandum. Principal for the 2025 M Bonds is due upon the final maturity date. Failure to pay the entire outstanding principal amount of the 2025 M Bonds by the final maturity date will result in an event of default. Failure to pay a scheduled principal payment on any payment date or the entire outstanding amount of the 2025 M Bonds by the scheduled final payment date will not result in a default. The failure to pay the entire outstanding principal balance of the 2025 M Bonds will result in a default only if such payment has not been made by the final maturity date. If there is a shortfall in the amounts available to make principal payments on the 2025 M Bonds that are due and payable, including upon an acceleration following an event of default, the Trustee will distribute principal from the collection account based on the principal amount then due and payable on the 2025 M Bonds on the payment date; and if there is a shortfall in the remaining amounts available to make principal payments on the 2025 M Bonds that are scheduled to be paid, the Trustee will distribute principal from the collection account based on the principal amount then scheduled to be paid on the payment date.
Weighted Average Life:	The expected weighted average life of the 2025 M Bonds is 14.69 years. Please read "Weighted Average Life And Yield Considerations For The 2025 M Bonds" in this Offering Memorandum.
Scheduled Final Payment Date and Final Maturity Date:	The scheduled final payment date for the 2025 M Bonds is August 1, 2049. The final maturity date for the 2025 M Bonds is August 1, 2051.
Optional Redemption:	**None.**
Mandatory Redemption:	**None.**
Priority of Payments:	On each payment date for the 2025 M Bonds, the Trustee will allocate or pay all amounts on deposit in the general subaccount of the

collection account (including investment earnings thereon) in the following order of priority:

1. payment of the Trustee's fees, expenses and any outstanding indemnity amounts not to exceed $100,000 per annum, or the **Trustee Cap**; provided, however, that any amounts in excess of the Trustee Cap that are unpaid pursuant to the Trustee Cap shall remain due and owing to the Trustee or Securities Intermediary and payable in the following year and each subsequent year thereafter until repaid in full; provided, further, that the Trustee Cap shall be disregarded and inapplicable upon the acceleration of the Bonds following the occurrence and continuation of an event of default,

2. payment of the servicing fee relating to the 2025 M Bonds, plus any unpaid servicing fees from prior payment dates,

3. payment of the administration fee, and the fees owed to our Independent Managers, plus any unpaid administrative fees and fees owed to our Independent Managers from prior payment dates,

4. payment of all of our other ordinary periodic operating expenses relating to the 2025 M Bonds, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the Administration Agreement and of the servicer under the Servicing Agreement,

5. payment of the interest then due on the 2025 M Bonds, including any past-due interest,

6. payment of the principal then due and payable on the 2025 M Bonds as a result of acceleration upon an event of default or at final maturity,

7. payment of the principal then scheduled to be paid on the 2025 M Bonds in accordance with the expected amortization schedule, including any overdue scheduled principal,

8. payment of any remaining unpaid fees, expenses and indemnity amounts owed to the Trustee,

9. payment of any of our other unpaid operating expenses and any remaining amounts owed pursuant to the basic documents,

10. replenishment of any amounts drawn from or other shortfalls in the supplemental capital subaccount,

11. allocation of the remainder, if any, to the excess funds subaccount, and

12. after the 2025 M Bonds have been paid in full and discharged, the balance, together with all amounts in the supplemental capital subaccount and the excess funds subaccount, to ERCOT free and clear of the lien of the Indenture.

The annual servicing fee for the 2025 M Bonds in clause 2 payable to ERCOT or any affiliate thereof while it is acting as servicer shall be equal to $200,000. The annual administration fee in clause 3 above

	may not exceed $100,000 per annum, plus reimbursable expenses. Please read "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated" in this Offering Memorandum.

Credit Enhancement:	Credit enhancement for the 2025 M Bonds, which is intended to protect you against losses or delays in scheduled payments on the 2025 M Bonds, will be as follows:
	
	• The servicer is required to make adjustments to the default charges to make up for any shortfall, due to any reason, or reduce any excess in collected default charges. We sometimes refer to these adjustments as the **true-up adjustments** or the **statutory true-up mechanism**. These adjustments will be made annually, semi-annually**,** and if determined necessary by the servicer, more frequently on an optional interim basis, to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the 2025 M Bonds. Please read "ERCOT's Debt Obligation Order—Statutory True-Ups."
	
	• Collection Account—Under the Indenture, the Trustee will hold a collection account for the 2025 M Bonds, divided into various subaccounts. The primary subaccounts for credit enhancement purposes are:
	
	  • the general subaccount—the Trustee will deposit into the general subaccount all default charge collections remitted to it by the servicer;
	
	  • the supplemental capital subaccount—at closing, the supplemental capital subaccount will be equal to 0.50% of the initial aggregate principal amount of the 2025 M Bonds, which is an amount that will allow us to achieve the desired credit rating on the 2025 M Bonds; and
	
	  • the excess funds subaccount—any excess amount of collected default charges and investment earnings will be held in the excess funds subaccount.
	
	Each Wholesale Market Participant is required to provide a cash deposit to us of four (4) months' projected default charge collections or letters of credit for such an amount to provide for payment of such amount of default charge collections in the event that the Wholesale Market Participant defaults in its payment obligations. If a Wholesale Market Participant defaults in making a payment of default charges to the servicer, pursuant to the Servicing Agreement, amounts on deposit or available from letters of credit (up to an amount of the lesser of the payment default of the Wholesale Market Participant or the amount of the deposit or letters of credit amount) will be available to make payments in respect of the 2025 M Bonds. Such deposits are managed by the servicer and are to be held in separate bank accounts of the Issuing Entity structured to be bankruptcy remote from ERCOT. Please read "ERCOT: The Depositor, Seller, Initial Servicer and Sponsor—ERCOT Credit Practices, Policies and Procedures."

Reports to Holders of 2025 M Bonds:	Pursuant to the Indenture, the Trustee will make available to the holders of record of the 2025 M Bonds regular reports prepared by the servicer containing information concerning, among other things, us

	and the collateral. Unless and until the 2025 M Bonds are issued in definitive certificated form, the reports will be provided to The Depository Trust Company. The reports will be available to beneficial owners of the 2025 M Bonds upon written request to the Trustee or the servicer. These reports may not be examined and reported upon by an independent public accountant. In addition, no independent public accountant will provide an opinion thereon. Please read "Description of the Texas Stabilization Subchapter M Bonds, Series 2025—Reports to Holders of 2025 M Bonds.*"* Certain reports consistent with those that would be required by Regulation AB will be posted to the sponsor's website at https://www.ercot.com/about/hb4492securitization/subchapterm.
Servicing Compensation:	We will pay the servicer on each payment date the servicing fee with respect to the 2025 M Bonds. As long as ERCOT or any affiliated entity acts as servicer, this fee will be $200,000 on an annualized basis. In no event will the Trustee be liable for any servicing fee in its individual capacity.
U.S. Federal Income Tax Status:	In the opinion of Winstead PC, counsel to us and to ERCOT, for federal income tax purposes, (1) the Issuing Entity will not be treated as a taxable entity separate and apart from ERCOT and (2) the 2025 M Bonds will be treated as debt of ERCOT, our sole member. If you purchase a beneficial interest in any 2025 M Bond, you agree by your purchase to treat the 2025 M Bonds as debt of our sole member for federal income tax purposes.
ERISA Considerations:	The 2025 M Bonds are expected to be eligible to be acquired by "Benefit Plan Investors" (defined herein) and governmental plans, church plans, or "Non-U.S. Plans" (as defined herein) that are subject to Similar Law (as defined herein) if certain conditions are met. Nonetheless, the acquisition and holding of the 2025 M Bonds could implicate fiduciary responsibility provisions of ERISA and prohibited transaction rules under ERISA or Section 4975 of the Code and, in the case a governmental plan, church plan or Non-U.S. Plan subject to Similar Law. Please read "ERISA Considerations." We are not undertaking to provide investment recommendations or individualized investment advice, or to give advice in a fiduciary capacity, that will serve as the primary basis of a Benefit Plan Investor's decision to invest in the 2025 M Bonds. Accordingly, this Offering Memorandum is not intended, and should not be construed, to constitute an investment recommendation or fiduciary investment advice by us, or any affiliate, regarding the investment or management of assets held by a Benefit Plan Investor. Each Benefit Plan Investor is urged to consult its own advisors as to the provisions of ERISA and the Code applicable to an investment in the 2025 M Bonds and each governmental plan, church plan or Non-U.S. Plan subject to Similar Law is urged to consult its own advisors as to the provisions of Similar Law applicable to an investment in the 2025 M Bonds. See "ERISA Considerations."
Credit rating:	We expect the 2025 M Bonds will receive a credit rating from at least one nationally recognized statistical rating organization. Please read "Ratings for the Texas Stabilization Subchapter M Bonds, Series 2025."

Use of proceeds:	Proceeds will be used to pay expenses of issuance and to repay the outstanding principal balance and any accrued but unpaid interest on the Texas Stabilization M Bonds, Series 2021. Please read “Use of Proceeds” in this Offering Memorandum.
1940 Act Registration:	The Issuing Entity will be relying on an exemption from the definition of “investment company” contained in Rule 3a-7 of the 1940 Act, although there may be additional exclusions or exemptions available to the Issuing Entity. The Issuing Entity is being structured so as not to constitute a “covered fund” for purposes of the Volcker Rule under the Dodd-Frank Act.
Risk Retention:	The Issuing Entity has determined that the purchase of the default property by the Issuing Entity and sale of the 2025 M Bonds are not subject to the five percent (5%) risk retention requirements imposed by Section 15G of the Securities Exchange Act of 1934, or the **Exchange Act**, due to the exemption provided in Rule 19(b)(8) of the risk retention regulations in 17 C.F.R. Part 246 of the Exchange Act, or **Regulation RR**. For information regarding the requirements of the European Union Securitization Regulation as to risk retention and other matters. Please read “Risk Factors—Other Risks Associated with an Investment in the 2025 M Bonds--Regulatory provisions affecting certain investors could adversely affect the liquidity of the 2025 M Bonds” in this Offering Memorandum.
Minimum Denomination:	$100,000 or integral multiples of $1,000 in excess thereof, except for one bond which may be of a smaller denomination.
Expected Settlement:	On or about August 14, 2025, settling flat. DTC, Clearstream and Euroclear.

RISK FACTORS

Please carefully consider all the information we have included or incorporated by reference in this Offering Memorandum, including the risks described below and the statements in "Cautionary Statement Regarding Forward-Looking Information," before deciding whether to invest in the Bonds.

RISKS ASSOCIATED WITH LIMITED SOURCE OF FUNDS FOR PAYMENT OF 2025 M BONDS

You may experience material payment delays or incur a loss on your investment in the 2025 M Bonds because the source of funds for payment is limited.

The only source of funds for payment of the 2025 M Bonds will be our assets, which consist of:

- the default property securing the 2025 M Bonds, including the right to impose, collect and receive related default charges and our rights under the debt obligation order to the statutory true-up mechanism and rights pursuant to the Servicing Agreement to default charge deposits under certain circumstances;
- the funds on deposit in the accounts held by the Trustee; and
- our rights under various contracts we describe in this Offering Memorandum.

The 2025 M Bonds are not a charge on the full faith and credit or taxing power of the state of Texas or any governmental agency or instrumentality. Additionally, the 2025 M Bonds do not create personal liability for ERCOT, including in its capacity as the servicer, or any of its affiliates (other than us), the Trustee or by any other person or entity. Thus, you must rely for payment of the 2025 M Bonds solely upon the securitization provisions of Subchapter M, state and federal constitutional rights to enforcement of Subchapter M, the irrevocable debt obligation order, collections of the default charges and funds on deposit in the related accounts held by the Trustee. If these amounts are not sufficient to make payments or there are delays in recoveries, you may experience material payment delays or incur a loss on your investment in the 2025 M Bonds.

RISKS ASSOCIATED WITH POTENTIAL JUDICIAL, LEGISLATIVE OR REGULATORY ACTIONS

We are not obligated to indemnify you for changes in law.

Neither we nor ERCOT will indemnify you for any changes in the law, including any federal preemption or repeal or amendment of PURA, that may affect the value of your 2025 M Bonds. ERCOT agreed in the Sale Agreement to institute any action or proceeding as may be reasonably necessary to block or overturn any attempts by the Commission or the state of Texas to cause a repeal, modification or amendment to PURA that would be materially adverse to us, the Trustee or holders of 2025 M Bonds. Please read "The Sale Agreement—Covenants of the Seller" and "The Servicing Agreement—Servicing Standards and Covenants." However, we cannot assure you that ERCOT would be able to take this action or that any such action would be successful. Although ERCOT (or any successor to ERCOT) might be required to indemnify us if legal action based on the law in effect at the time of the sale of the default property to us or the time of the issuance of the 2025 M Bonds invalidates the default property, such indemnification obligations do not apply for any changes in law after the date the 2025 M Bonds are issued, whether such changes in law are effected by means of any legislative enactment, any constitutional amendment or any final and non-appealable judicial decision. See "The Sale Agreement—Seller Representations and Warranties" and "The Servicing Agreement—Servicing Standards and Covenants" in this Offering Memorandum.

Future judicial action could reduce the value of your investment in the 2025 M Bonds.

The default property securing the 2025 M Bonds was created pursuant to Subchapter M and the debt obligation order that was issued by the Commission to ERCOT. There is uncertainty associated with investing in bonds payable from an asset that depends for its existence on legislation because there is limited judicial or regulatory precedent implementing and interpreting such legislation. Because the default property is a creation of Subchapter M, any judicial determination affecting the validity of or interpreting Subchapter M, the default property or our ability to make payments on the 2025 M Bonds might have an adverse effect on the 2025 M Bonds. Subchapter M might be directly contested in courts or otherwise become the subject of litigation. In addition, the debt obligation order or any provision thereof might be directly contested in

courts or otherwise become the subject of litigation. As of the date of this Offering Memorandum, no litigation challenging the validity of Subchapter M or the debt obligation order has arisen. In June 2001, the Supreme Court of the state of Texas upheld the constitutionality of certain unrelated securitization provisions of PURA. Similarly, a federal or state court could be asked in the future to determine whether the relevant provisions of Subchapter M are unlawful or invalid. If Subchapter M is invalidated, the debt obligation order might also be invalidated.

Other states have passed laws permitting the securitization of electrical utility costs similar to Subchapter M, such as costs associated with the deregulation of the electric market, environmental control costs or hurricane recovery costs. Some such similar laws have been challenged by judicial actions or in utility commission proceedings. To date, none of these challenges has succeeded, but future challenges might be made. An unfavorable decision regarding another state's law would not automatically invalidate Subchapter M or the debt obligation order, but it might provoke a challenge to Subchapter M, establish a legal precedent for a successful challenge to Subchapter M or heighten awareness of the political or other risks of the 2025 M Bonds, and in that way may limit the liquidity and value of the 2025 M Bonds. Therefore, legal activity in other states may indirectly affect the value of the 2025 M Bonds.

If an invalidation of any relevant underlying legislative provision or debt obligation order provision were to result from such litigation, you might lose some or all of your investment or you might experience delays in recovering your investment.

Future state legislative action might attempt to reduce the value of your investment in the 2025 M Bonds.

Despite its pledge in PURA not to take or permit certain actions that would impair the value of the default property or the default charges, the Legislature might attempt to repeal or amend Subchapter M in a manner that limits or alters the default property so as to reduce its value. For a description of the State's pledge, please read "Subchapter M—State Pledge." It might be possible for the Legislature to repeal or amend Subchapter M notwithstanding the State's pledge if the Legislature acts in order to serve a significant and legitimate public purpose. Any such action, as well as the costly and time-consuming litigation that likely would ensue, might adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average lives of the 2025 M Bonds. Moreover, the outcome of any litigation cannot be predicted. Accordingly, you might incur a loss on or delay in recovery of your investment in the 2025 M Bonds.

If an action of the Legislature adversely affecting the default property or the ability to collect default charges were considered a "taking" under the United States or Texas Constitutions, the state of Texas might be obligated to pay compensation for the taking. However, even in that event, there is no assurance that any amount provided as compensation would be sufficient for you to recover fully your investment in the 2025 M Bonds or to offset interest lost pending such recovery.

Unlike the citizens of some states, the citizens of the state of Texas currently do not have the constitutional right to adopt or revise state laws by initiative or referendum. Thus, absent an amendment of the Texas Constitution, PURA cannot be amended or repealed by direct action of the electorate of the state of Texas or by ERCOT.

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

The Commission might attempt to take actions that could reduce the value of your investment in the 2025 M Bonds.

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

The Commission also retains the power to interpret the debt obligation order granted to ERCOT, and in that capacity might be called upon to rule on the meanings of provisions of the debt obligation order that might need further elaboration. Any new or amended regulations or orders from the Commission might attempt to affect the ability of the servicer to collect the default charges in full and on a timely basis, the rating of the 2025 M Bonds or their price and, accordingly, the amortization of the 2025 M Bonds and their weighted average lives.

The servicer is required to file with the Commission, on our behalf, certain adjustments of the default charges. Please read "ERCOT's Debt Obligation Order-Statutory True-Ups" and "The Servicing Agreement – True-Up Adjustment Process." Pursuant to the debt obligation order, the Commission's administrative review of default charge adjustments is limited to confirming the adjustment complies with the terms of the debt obligation order and PURA. True-up adjustment procedures have been challenged in the past and may be challenged in the future. Challenges to or delays in the true-up process might adversely affect the market perception and valuation of the 2025 M Bonds. Also, any litigation, as well as being costly and time- consuming, might materially delay default charge collections due to delayed implementation of true-up adjustments and might result in missing payments or payment delays and lengthened weighted average life of the 2025 M Bonds.

The servicer may not fulfill its obligations to act on behalf of the holders of 2025 M Bonds to protect such holders from actions by the Commission or the state of Texas, or the servicer may be unsuccessful in any such attempt.

The servicer agreed in the Servicing Agreement to take any action or proceeding necessary to compel performance by the Commission and the state of Texas of any of their obligations or duties under Subchapter M or the debt obligation order, including any actions reasonably necessary to block or overturn attempts to cause a repeal or modification of Subchapter M or the debt obligation order. The servicer, however, may not be able to take those actions for a number of reasons, including due to legal or regulatory restrictions, financial constraints and practical difficulties in successfully challenging any such legislative enactment or constitutional amendment. Additionally, any such actions the servicer takes may not be successful. Any failure to perform its obligations or to successfully compel performance by the Commission or the state of Texas could negatively affect holders of 2025 M Bonds' rights and result in a loss of their investment.

Litigation Against ERCOT, If Determined Adversely, Could Have a Material Adverse Effect on ERCOT and its Ability to Act as Servicer for the 2025 M Bonds.

ERCOT, which acts as sponsor, depositor and initial servicer with respect to the 2025 M Bonds, is from time to time involved in legal or regulatory proceedings arising out of its operations in the Texas electricity market. In the event of a negative result impacting ERCOT, to the extent not covered by ERCOT's budget that was approved by the Commission, ERCOT would be required to approach the Commission to determine approval for a budget and process for addressing such negative item. While this circumstance has not occurred previously in ERCOT's history, based on prior interactions with the Commission in other circumstances ERCOT believes the Commission would take appropriate action to address any financial exposure, but it is unable to predict the timing or nature of the Commission's response or the methods to be implemented to address such matter. In the event that the Commission's response is not fully supportive, the negative litigation result could have a material adverse impact on ERCOT and its ability to act as servicer for the 2025 M Bonds. See "Legal Proceedings" in this Offering Memorandum.

SERVICING RISKS

Inaccurate collection estimating might reduce scheduled payments on the 2025 M Bonds.

The default charges are generally assessed and collected from Wholesale Market Participants within the ERCOT wholesale market in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts in connection with the 2025 M Bonds. The default charges are assessed on each Wholesale Market Participant's activity ratio share. The default charges are calculated by the servicer according to the methodology approved in the debt obligation order and further described in the Servicing Agreement. This methodology entails the allocation of default charges as nonbypassable charges among all Wholesale Market Participants. In estimating default charges, ERCOT, as servicer, will take into account over-collections and under-collections. The Servicing Agreement includes safeguards that will enable the servicer to compensate for under-collections, such as drawing upon default charge deposits and interim true-up procedures. However, notwithstanding these safeguards, it is possible that there could be shortfalls or delays in default charge collections, which might result in missed or delayed payments of principal and interest on the 2025 M Bonds.

Changes to billing, collection and posting practices might adversely affect the value of the 2025 M Bonds.

The debt obligation order specifies the methodology for determining the amount of the default charges ERCOT may impose. However, subject to any required Commission approval, ERCOT may set its own billing, collection and posting arrangements with Wholesale Market Participants from whom it collects default charges, provided that these arrangements comply with any applicable Commission customer safeguards and the provisions of the Servicing Agreement. Subject to

any required Commission approval, ERCOT may change billing, collection and posting practices, which might adversely impact the timing and amount of Wholesale Market Participant payments and might reduce collection of default charges, thereby limiting our ability to make scheduled payments on the 2025 M Bonds. Separately, the Commission might require changes to previously approved practices. Any such changes in billing, collection and posting practices or regulations might make it more difficult for ERCOT to collect the default charges and may adversely affect the value of the 2025 M Bonds.

There is no guaranty that default charge deposits will be available to pay for delinquencies.

ERCOT, as servicer, will require the Wholesale Market Participants to establish cash deposits or to deliver standby letters of credit to secure the payment of four months of projected default charges, which are referred to in the Servicing Agreement as the default charge deposits. Letters of credit must meet the requirements established by the ERCOT Nodal Protocols referenced in the Servicing Agreement. Such default charge deposits are to be held in separate accounts of the Issuing Entity and standby letters of credit will be structured to be bankruptcy remote from ERCOT. For administrative ease these default charge deposits will not be held with the Trustee and will not be pledged as part of the 2025 M Bond collateral. The rights regarding payments from default charge deposits pursuant to the Servicing Agreement are included as default property, and as a part of the Servicing Agreement do constitute 2025 M Bond collateral. The default charge deposits will be managed by ERCOT, as servicer, in accordance with the Servicing Agreement. ERCOT, as servicer, will draw on the default charge deposits only if a Wholesale Market Participant defaults on the payment of invoiced default charges. ERCOT's ability to access default charge deposits may be affected by problems affecting the financial institutions functioning as depositories of the cash deposits or as issuers of letters of credit. The default charge deposits may also be invested by the servicer in eligible investments and may therefore be subject to investment losses or liquidity problems. See "Risk Factor--Other Risks Associated with an Investment in the 2025 M Bonds—You Might Receive Principal Payments for the 2025 M Bonds later than you expect" in this Offering Memorandum. It is also possible that that Wholesale Market Participants may dispute default charges or contest ERCOT's right to access the default charge deposits. Any delay in accessing default charge deposits could result in missed or delayed payments of principal and interest on the 2025 M Bonds.

Cybersecurity risks could affect ERCOT's ability to timely perform under Servicing Agreement.

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

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

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

ERCOT's performance is subject to various business interruption risks.

While ERCOT has extensive experience managing and monitoring settlements to Wholesale Market Participants, ERCOT's operations could nevertheless be impacted by any number of unforeseen events or circumstances beyond its control. Such events may include natural disasters, storms, pandemics, cyber-attacks and other force majeure events. These events could impact ERCOT's ability to timely invoice and collect default charges or to perform its other obligations under the Servicing Agreement.

Your investment in the 2025 M Bonds depends on ERCOT or its successor or assignee, acting as servicer of the default property.

ERCOT, as servicer, will be responsible for, among other things, calculating, billing and collecting the default charges from Wholesale Market Participants, submitting requests to the Commission to adjust the default charges, monitoring the collateral for the 2025 M Bonds and taking certain actions in the event of non-payment by a Wholesale Market Participant. The Trustee's receipt of collections in respect of the default charges, which will be used to make payments on 2025 M Bonds, will depend in part on the skill and diligence of the servicer in performing these functions. The protocols that the servicer has in place for default charge billings and collections, together with the Commission regulations governing ERCOT, might, in particular circumstances, cause the servicer to experience difficulty in performing these functions in a timely and completely accurate manner. If the servicer fails to make collections for any reason, then the servicer's payments to the Trustee in respect of the default charges might be delayed or reduced. In that event, our payments on the 2025 M Bonds might be delayed or reduced.

If we replace ERCOT as the servicer, we may experience difficulties finding and using a replacement servicer.

If ERCOT ceases to exist or is no longer able to service the default property related to the 2025 M Bonds, it may be difficult to find a successor servicer. As the central clearing agency for all market activity within the ERCOT power region, ERCOT is uniquely qualified to serve as servicer for the 2025 M Bonds. Any successor servicer would need to have similar access to the transactional data managed by ERCOT in order to properly assess and collect default charges, and is likely to experience difficulties in collecting default charges, determining appropriate adjustments to the default charges, and billing and/or payment arrangements may change, resulting in delays or disruptions of collections.

A successor servicer might not be willing to perform except for fees higher than those approved in the debt obligation order and Issuance Advice Letter and might charge fees that, while permitted under the debt obligation order, are substantially higher than the fees paid to ERCOT as servicer. Although a true-up adjustment would be permitted to allow for the increase in fees, there could be a gap between the incurrence of those fees and the implementation of a true-up adjustment to adjust for that increase that might adversely affect distributions to holders of 2025 M Bonds.

In the event of the commencement of a case by or against the servicer under Title 11 of the United States Code, as amended, of the Bankruptcy Code, or similar laws, we (as the Issuing Entity) and the Trustee might be prevented from effecting a transfer of servicing due to operation of the Bankruptcy Code. Any of these factors and others might delay the timing of payments and may reduce the value of the 2025 M Bonds.

It might be difficult to collect default charges from Wholesale Market Participants.

Because ERCOT financially transacts only with Wholesale Market Participants, the debt obligation order provides that default charges are nonbypassable to all Wholesale Market Participants within the ERCOT power region. Each QSE must pay the default charges for the other market participants whose interests it represents.

Adjustments to the default charges and any credit support provided by a Wholesale Market Participant, while available to compensate for a failure by such Wholesale Market Participant to pay the default charges to the servicer, might not be sufficient to protect the value of your investment in the 2025 M Bonds. Please read "ERCOT's Debt Obligation Order- True-Ups Mechanisms" and "The Servicing Agreement- True-Up Adjustment Process."

Nevertheless, failure by the Wholesale Market Participants to remit default charges to the servicer might cause delays in payments on the 2025 M Bonds and adversely affect your investment in the 2025 M Bonds. The servicer will not pay any shortfalls resulting from the failure of any Wholesale Market Participant to forward default charge collections.

Changes in market activity may increase charges allotted to Wholesale Market Participants.

Unlike typical utility securitizations, which are secured by tariffs or surcharges assessed by electric utilities to their customers based upon consumption, ERCOT will assess default charges in its capacity as a clearinghouse for the wholesale electric market. ERCOT is revenue neutral and acts as a clearinghouse through which funds are exchanged between buyers and sellers within the ERCOT market. In this role, ERCOT settles only with Wholesale Market Participants. QSEs represent a variety of participants in the ERCOT market, including other market participants.

Default charges are assessed to Wholesale Market Participants on a monthly basis, and the allocation of the charges will be based on each Wholesale Market Participant's activity ratio share. The activity ratio share used to assess default charges to Wholesale Market Participants will be based on the most recent month for which final settlement data is available on a rolling basis. Wholesale Market Participants are the ultimate source of funding for repayment of the 2025 M Bonds.

Changes in market dynamics could increase the portion of default charges allocated to certain Wholesale Market Participants. In particular, broader and increased use of distributed generation by customers may result from customers' changing perceptions of the merits of utilizing existing generation technology, tax or other economic incentives or from technological developments resulting in smaller-scale, more fuel-efficient, more environmentally friendly and/or more cost-effective distributed generation.

Moreover, an increase in distributed generation may result if extreme weather conditions result in shortages of grid-supplied energy, if other factors cause grid-supplied energy to be less reliable, or if distributed generation is more cost-effective than grid-supplied energy. More widespread use of distributed generation, particularly solar use and battery storage, may reduce the total volume of activity by the other market participants. However, any significant decrease in activity by the other market participants would not affect the collected amount of default charges, because a fixed amount will be invoiced and collected each month regardless of the overall volume of activity in the market. Rather, any decrease in the total volume of activity by the other market participants could lead to an increase in the portion of default charges payable by a Wholesale Market Participant in relation to gross invoiced amounts.

RISKS ASSOCIATED WITH THE UNUSUAL NATURE OF THE DEFAULT PROPERTY

Foreclosure of the Trustee's lien on the default property for the 2025 M Bonds might not be practical, and acceleration of the Bonds before maturity might have little practical effect.

Under the Indenture, the Trustee or the holders of 2025 M Bonds have the right to foreclose or otherwise enforce the lien on the default property securing the 2025 M Bonds. However, in the event of foreclosure, there is likely to be a limited market, if any, for the default property. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the 2025 M Bonds will be due and payable upon acceleration of the 2025 M Bonds before maturity, default charges likely would not be accelerated and the nature of our business will result in principal of the 2025 M Bonds being paid as funds become available. If there is an acceleration of the 2025 M Bonds, payments of principal will be made pro rata to the holders of 2025 M Bonds based on the amount of 2025 M Bonds held**.**

RISKS ASSOCIATED WITH POTENTIAL BANKRUPTCY PROCEEDINGS OF THE SELLER OR THE SERVICER

For a more detailed discussion of some of the following bankruptcy risks, please read "How a Bankruptcy May Affect Your Investment."

The servicer could commingle the default charges with other revenues it collects, which might obstruct access to the default charges in case of the servicer's bankruptcy and reduce the value of your investment in the 2025 M Bonds.

The servicer will be required to remit collections to the Trustee within two (2) business days of receipt. While Wholesale Market Participants will be required to remit default charges into a separate account specifically designated for default charge collections, inadvertent commingling could occur.

Despite this requirement, the servicer might fail to pay the full amount of the default charges to the Trustee or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of default charge collections available to make payments on the 2025 M Bonds.

In a bankruptcy of the servicer, the bankruptcy court might decline to recognize, or significantly delay, our right to collect the default charges that are commingled with other funds of the servicer as of the date of bankruptcy. If so, the collection of the default charges held by the servicer as of the date of bankruptcy or collected and commingled by the servicer after bankruptcy would not be available to pay amounts owing on the 2025 M Bonds. In this case, we would have only a general unsecured claim against the servicer for those amounts. This decision could also cause material delays in payments of principal or interest, or losses, on your 2025 M Bonds and could materially reduce the value of your investment in the 2025 M Bonds.

The bankruptcy of ERCOT or any successor seller might result in losses or delays in payments on the 2025 M Bonds.

Subchapter M provides that default property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of default charges depends on further acts of ERCOT or others that have not yet occurred. ERCOT represented and warranted in the Sale Agreement that (i) upon the effectiveness of the Issuance Advice Letter with respect to the 2021 M Bonds, and the transfer of the default property, the rights and interests of ERCOT under the debt obligation order, including the right to impose, collect and receive the default charges authorized in the debt obligation order, became "default property" and (ii) the default property constitutes a present property right vested in the Issuing Entity.

The transfer of the default property under the Sale Agreement at the time of the issuance of the 2021 M Bonds was expressly stated to be a sale treated as an absolute transfer of all of the seller's right, title and interest in and to (as in a true sale), and not as a pledge or other financing of, the default property (other than for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes). The Issuing Entity and ERCOT treat such a transaction as a sale under applicable law.

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

In the event of a bankruptcy of ERCOT, the determination of whether ERCOT's bankruptcy estate would include the default property depends on the characterization and treatment of the transactions under applicable non-bankruptcy law. If there has been an absolute sale of the default property by the seller to the buyer, then the seller would no longer have an interest in the default property, and it would not become property of the ERCOT's bankruptcy estate. If, on the other hand, the transactions are characterized as a transfer of the default property as security for a loan by the Issuing Entity to ERCOT, then ERCOT's bankruptcy estate would have an interest in the default property and the Issuing Entity would be treated as a creditor of ERCOT. *See, e.g., In re Carolina Utilities Supply Company, Inc*., 118 B.R. 412 (Bankr. D.S.C. 1990) (finding that a factoring agreement was a secured financing and not a sale and that accounts receivable constituted property of the estate and cash collateral of the seller). A true sale opinion was delivered at the closing of the sale of the default property that opined that the transfer of the default property from ERCOT to the Issuing Entity, in connection with the issuance of the 2021 M Bonds, is a true sale and that the default property would not be property of ERCOT's bankruptcy estate. Additionally, a true sale opinion is being delivered in connection with the issuance of the 2025 M Bonds that the transfer of the default property from ERCOT to the Issuing Entity under the Sale Agreement was a true sale and is still recognized as such. A court, however, could nevertheless rule otherwise and recharacterize the transfer.

Nonetheless, the Issuing Entity and ERCOT have attempted to mitigate the impact of a possible recharacterization of the sale of default property from ERCOT to the Issuing Entity as a financing transaction. The Sale Agreement provides that if the transfer of the applicable default property is thereafter recharacterized by the holding of any court of competent jurisdiction to not be a true sale, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the default property and as a creation of a security interest (within the meaning of the Uniform Commercial Code (**UCC**)) in the default property and, without prejudice to its position that it has absolutely transferred all of its rights in the default property to the Issuing Entity, and ERCOT has granted a security interest in the default property to the Issuing Entity (and to the Trustee for the benefit of the secured parties) to secure their respective rights under the basic documents to receive the default charges and all other default property. In addition, at the time of the issuance of the 2021 M Bonds, ERCOT caused the filing of a financing statement naming ERCOT as the debtor and the Issuing Entity as the secured party and identifying the default property and the proceeds thereof as collateral. Revisions to those filings referencing the 2025 M Bonds will be refiled. As a result of such filing, the Issuing Entity should be a secured creditor of ERCOT and entitled to recover against the collateral.

Notwithstanding the efforts of ERCOT and the Issuing Entity to protect the default property from recharacterization, consolidation or from other claims of ERCOT's creditors, these steps may not be completely effective as any determination by a court as to the treatment of the sale of the default property depends on a variety of facts and circumstances and there is no controlling legal authority directly on point and the existing statutory and judicial authority is, thus, not conclusive.

Moreover, even if a bankruptcy court were to ultimately recognize the sale and transfer of the default property as a true sale, the institution of bankruptcy proceedings could lead to material delays and reductions in payments of principal or interest on the 2025 M Bonds and could materially reduce the value of the 2025 M Bonds.

In the event of a bankruptcy of ERCOT and a determination that the transfer of the default property was not a true sale, but rather a financing, the Issuing Entity would be a creditor of ERCOT with the transfer of the default property being payments on the Issuing Entity's claim. As such, a party in interest might take the position that the remittance of funds to the Issuing Entity by ERCOT prior to the bankruptcy of ERCOT constitutes a preference under the Bankruptcy Code. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within ninety (90) days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to ERCOT's bankruptcy estate. Also, the Issuing Entity may be considered an "insider" of ERCOT. If the Issuing Entity is considered to be an "insider" of ERCOT, any such remittance made within one (1) year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. If any funds were required to be returned to the bankruptcy estate of ERCOT, the Issuing Entity would expect the amount of any future default charges to be increased through the statutory true-up mechanism to recover such amount, though this would not eliminate the risk of payment delays or adverse effects on the value of the 2025 M Bonds.

A bankruptcy court generally follows state law on issues such as those addressed by the state law provisions described above. However, a bankruptcy court may not follow state law if it determines that the state law is contrary to a paramount federal bankruptcy policy or interest. If a bankruptcy court in an ERCOT bankruptcy refused to enforce one or more of the state law provisions described above, the effect of this decision on you as a beneficial owner of the 2025 M Bonds might be similar to the treatment you would receive in an ERCOT bankruptcy if the Bonds had been issued directly by ERCOT. A decision by the bankruptcy court that, despite our separateness from ERCOT, our assets and liabilities and those of ERCOT should be consolidated would have a similar effect on you as a bondholder.

We have taken steps together with ERCOT, as the seller, to reduce the risk that in the event the seller or an affiliate of the seller were to become the debtor in a bankruptcy case, a court would order that our assets and liabilities be substantively consolidated with those of ERCOT or an affiliate. Nonetheless, these steps might not be completely effective, and thus if ERCOT or an affiliate of the seller were to become a debtor in a bankruptcy case, a court might order that our assets and liabilities be consolidated with those of ERCOT or an affiliate of the seller. This might cause material delays in payment of, or losses on, your bonds and might materially reduce the value of your investment in the 2025 M Bonds. For example:

- without permission from the bankruptcy court, the Trustee might be prevented from taking actions against ERCOT or recovering or using funds on your behalf or replacing ERCOT as the servicer,

- the bankruptcy court might order the Trustee to exchange the default property for other property, including property of lower value or property that is more difficult to monetize,

- tax or other liens on ERCOT's property might have priority over the Trustee's lien and might be paid from collected default charges before payments on the 2025 M Bonds,

- the Trustee's lien might not be properly perfected in the collected default property collections prior to or as of the date of ERCOT's bankruptcy, with the result that the 2025 M Bonds would represent only general unsecured claims against ERCOT,

- the bankruptcy court might rule that neither our property interest nor the Trustee's lien extends to default charges assessed after the commencement of ERCOT's bankruptcy case, with the result that the 2025 M Bonds would represent only general unsecured claims against ERCOT,

- we and ERCOT might be relieved of any obligation to make any payments on the 2025 M Bonds during the pendency of the bankruptcy case and might be relieved of any obligation to pay interest accruing after the commencement of the bankruptcy case or such interest might be allowed at a lower rate,

- ERCOT might be able to alter the terms of the 2025 M Bonds as part of its bankruptcy plan, or

- the bankruptcy court might rule that the remedy provisions of the Sale Agreement are unenforceable, leaving us with an unsecured claim for actual damages against ERCOT that may be difficult to prove or, if proven, to collect in full.

Furthermore, if ERCOT enters bankruptcy proceedings, it might be permitted to stop acting as servicer, and it may be difficult to find a third party to act as servicer. The failure of the servicer to perform its duties or the inability to find a successor servicer might cause payment delays or losses on your investment in the 2025 M Bonds. Also, the mere fact of a servicer or seller bankruptcy proceeding might have an adverse effect on the resale market for the 2025 M Bonds and on the value of the 2025 M Bonds.

The sale of the default property might be construed as a financing and not a sale in a case of ERCOT's bankruptcy which might delay or limit payments on the 2025 M Bonds.

The transfer of the default property under the Sale Agreement was expressly stated to be a sale treated as an absolute transfer of all of the seller's right, title and interest in and to (as in a true sale), and not as a pledge or other financing of, the default property. (Other considerations regarding the nature of the true sale of the default property are discussed in this Offering Memorandum.) Additionally, the Sale Agreement provides that if the transfer of the applicable default property is for any reason determined not to be a true sale, then the parties agree that such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the default property and as the creation of a security interest (within the meaning of the UCC) in the default property and, without prejudice to its position that it has absolutely transferred all of its rights in the default property to the Issuing Entity, and ERCOT has granted a security interest in the default property to the Issuing Entity (and to the Trustee for the benefit of the secured parties) to secure their respective rights under the basic documents to receive the default charges and all other default property.

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

At the time of the issuance of the 2021 M Bonds, ERCOT caused the filing of a financing statement naming ERCOT as the debtor and the Issuing Entity as the secured party and identifying the default property and the proceeds thereof as collateral. Revisions to those filings referencing the 2025 M Bonds will be refiled. The filing of a financing statement is only effective for the perfection of ERCOT's right to invoice and collect default charges. Default charge payments will be deposited into a general account of ERCOT and will be considered proceeds of the default charges within the meaning of the applicable UCC. The UCC provides for the indefinite perfection of default charge payments as proceeds of the default charges as long as the default charge payments are clearly identifiable from other amounts. ERCOT has made changes to the ERCOT Nodal Protocols for the separate invoicing of default charges with the purpose and intent that default charge payments will be clearly identifiable from other funds commingled in ERCOT's account. However, if the default charge payments cannot be clearly identified due to a change in ERCOT's invoicing procedures, recordkeeping failures, or for any other reason, then the default charge payments, as proceeds of the default charges, would only remain perfected for twenty (20) days under UCC temporary perfection rules unless transferred into the collection account maintained with the Trustee within such time frame.

Reliance on UCC rules for the perfection of proceeds is a unique risk of the Bonds compared with other utility securitization financing transactions. In other jurisdictions, some securitization laws will expressly provide that the priority of a lien and security interest perfected in pledged property is not impaired by the commingling of the property with other funds of the servicer. Subchapter M does not provide for any such treatment for the default property. Additionally, other securitization laws extend the effective period for financing statements for the perfection of pledged property for up to thirty (30) years. Subchapter M provides for no such extension and, therefore, it will be necessary for the Issuing Entity to regularly file continuation statements for the default property prior to expiration, at least every five (5) years. The Issuing Entity has covenanted to cause a perfection legal opinion to be delivered to the Trustee annually to the effect that all filings and other actions necessary to maintain the lien and the perfected security interest in the default property have been taken. However, notwithstanding these precautions, if the Issuing Entity fails to maintain a perfected security interest in the default charges through the maintenance of proper filings or by any other means, then the default charge payments, as proceeds of the default charges, would also lose their perfection under the UCC.

If the servicer or the seller enters bankruptcy proceedings, the collection of the default charges might constitute preferences and those funds might be required to be returned.

In the event of a bankruptcy of the servicer or the seller, a party in interest might take the position that the remittance of funds by such seller or servicer prior to its bankruptcy constitutes a preference if the remittance of those funds was deemed to be paid on account of a preexisting debt. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within ninety (90) days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to the bankruptcy estate of the servicer or the seller. To the extent that default charges have been commingled with the general funds of the servicer, the risk that a court would hold that a remittance of funds was a preference would increase. Also, we may be considered an "insider" of the servicer or the seller. In that event, any such remittance made within one (1) year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, we or the Trustee would merely be an unsecured creditor of the servicer or the seller. If any funds were required to be returned to the bankruptcy estate, we would expect (but cannot be assured) that the amount of any future default charges would be increased through the statutory true-up mechanism to recover such amount. There is a similar risk related to claims, including indemnity claims, against the servicer in the event it becomes a debtor in bankruptcy.

Claims against ERCOT, or any successor seller or servicer, might be limited in the event of a bankruptcy.

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

RISKS ASSOCIATED WITH POTENTIAL BANKRUPTCY PROCEEDINGS OF WHOLESALE MARKET PARTICIPANTS

QSEs may commingle default charges received from other market participants they may represent with other revenues they collect and CRRAHs may commingle default charges with other revenues they collect. This may cause losses on, or reduce the value of your investment in the 2025 M Bonds in the event a Wholesale Market Participant enters bankruptcy proceedings.

A QSE is not required to segregate from its general funds the default charges it may collect from other market participants, as applicable, either on a series basis or otherwise, but will be required to remit to the servicer amounts billed to it for default charges within five (5) bank business days of the billing by the servicer. A Wholesale Market Participant nevertheless might fail to remit the full amount of the default charges owed to the servicer or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of default charge collections available on the next payment date to make timely payments on the 2025 M Bonds.

Section 9.315 of the UCC provides that the priority of a perfected lien on the default property will not be impaired by the commingling of these funds with other funds so long as the default property is identifiable cash proceeds. In a bankruptcy of a Wholesale Market Participant, however, a bankruptcy court might not recognize our right to receive the collected default charges that are commingled with other funds of a Wholesale Market Participant as of the date of bankruptcy by determining that federal bankruptcy law takes precedence over the applicable provisions of the UCC or on some other basis. If so, the collections of the default charges held by a Wholesale Market Participant as of the date of bankruptcy or collected and commingled by the Wholesale Market Participant after bankruptcy would not be available to pay amounts owing on the 2025 M Bonds. In this case, we would have only a general unsecured claim against the Wholesale Market Participant for those amounts. This decision might cause material delays in payments of principal or interest or losses on your 2025 M Bonds and could materially reduce the value of your investment in the 2025 M Bonds. Please read "How a Bankruptcy May Affect Your Investment."

If a Wholesale Market Participant enters bankruptcy proceedings, any cash deposit of the Wholesale Market Participant held by ERCOT might not be available to cover amounts owed by that Wholesale Market Participant.

Pursuant to the debt obligation order, each Wholesale Market Participant must provide a deposit equal to four months of projected default charges. Those deposits will be managed by the servicer and held in accounts of the Issuing Entity structured to be legally isolated from ERCOT, for payment if the Wholesale Market Participant fails to pay default charges when they are due. If the Wholesale Market Participant becomes bankrupt, the automatic stay may prevent ERCOT from applying that deposit to cover amounts owed by the Wholesale Market Participant absent relief from the court, and ERCOT might be required to return that deposit to the Wholesale Market Participant's bankruptcy estate if the bankruptcy court determines there is no valid right of set-off or recoupment. In that case, the Issuing Entity might only have an unsecured claim for any amounts owed by the Wholesale Market Participant in the Wholesale Market Participant's bankruptcy proceedings.

To date, ERCOT has not suffered any material losses from the bankruptcy of any Wholesale Market Participant that actively participated in the ERCOT market with which ERCOT has transacted with over the past fifteen (15) years. To the extent one or more Wholesale Market Participant's discontinue operating in the ERCOT market, and to the extent ERCOT, as servicer, does not have sufficient deposits to cover any shortage, any such remaining coverage shortage would be reallocated among the remaining Wholesale Market Participants, and the other Wholesale Market Participants in the ERCOT market would be responsible for paying to ERCOT such remaining coverage shortage.

If a Wholesale Market Participant enters bankruptcy proceedings, default charge payments made by that Wholesale Market Participant to the servicer might constitute preferences, and we or the servicer may be required to return such funds to the bankruptcy estate of the Wholesale Market Participant.

In the event of a bankruptcy of a Wholesale Market Participant, a party in interest might take the position that the remittance of funds by the Wholesale Market Participant to the servicer, pursuant to the debt obligation order, prior to bankruptcy, constitutes a preference under bankruptcy law if the remittance of those funds was deemed to be paid on account of a preexisting debt. If a court were to hold that the remittance of funds constitutes preferences, any remittance of such funds made within ninety (90) days of the filing of the bankruptcy petition might be avoidable, and the funds might be required to be returned to the bankruptcy estate of the Wholesale Market Participant by us or the servicer. To the extent that default charges have been commingled with the general funds of the Wholesale Market Participant, the risk that a court would hold that a remittance of funds was a preference would increase. Also, we or the servicer might be considered an "insider" with any Wholesale Market Participant that is affiliated with us or the servicer. If the servicer or we are considered to be an "insider" of the responsible Wholesale Market Participant, any such remittance made within one (1) year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, if there was an avoidance, we or the servicer would merely be an unsecured creditor of the Wholesale Market Participant. If any funds were required to be returned to the bankruptcy estate of the Wholesale Market Participant as a preferential transfer, we would expect that the amount of any future default charges would be increased through the true-up mechanism to recover the amount returned.

There is also the possibility that, in the bankruptcy case of a Wholesale Market Participant, the bankruptcy court rules that all or some portion of the default charges previously paid or incurred by such provider were not for "reasonably equivalent value" and, thus, were constructively fraudulent. In this event, payments made and/or charges incurred up to two years (under the Bankruptcy Code) or up to four years (under Texas law), before the Wholesale Market Participant's bankruptcy case could be avoided and required to be returned to the bankruptcy estate.

If any funds were required to be returned to the bankruptcy estate of the Wholesale Market Participant as a fraudulent transfer, we would expect (but cannot be assured) that the amount of any future default charges would be increased through the true-up mechanism to recover the amount returned.

Furthermore, the mere fact of a Wholesale Market Participant bankruptcy proceeding could have an adverse effect on the resale market for the 2025 M Bonds and on the value of the 2025 M Bonds. Please read "How a Bankruptcy May Affect Your Investment."

If a Wholesale Market Participant defaults with respect to the payment of default charges owed to the servicer, any cash deposit or other collateral of the Wholesale Market Participant held by the Trustee might not cover amounts owed by the Wholesale Market Participant.

Pursuant to the debt obligation order, each Wholesale Market Participant must provide a cash deposit or letter of credit equal to four months of projected default charges. The Trustee will hold an amount not less than 0.50% of the initial aggregate principal amount of the 2025 M Bonds as collateral in the supplemental capital subaccount to secure payment of the 2025 M Bonds. If a Wholesale Market Participant defaults with respect to the payment of default charges, the amount of such cash deposit, letter of credit, or amounts held in the supplemental capital subaccount may be inadequate as a result of factors that include (a) an increase in the activity ratio share of the Wholesale Market Participant shortly before the default, (b) widespread payment delinquencies among many Wholesale Market Participants at one time, and (c) deficiencies in the collateral documentation or a failure of a letter of credit provider to honor a demand for payment.

OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE 2025 M BONDS

ERCOT's indemnification obligations under the Sale Agreement and Servicing Agreement are limited and might not be sufficient or enforceable under Texas law to protect your investment in the 2025 M Bonds.

ERCOT is obligated under the Sale Agreement to indemnify us and the Trustee, for itself and on behalf of the holders of 2025 M Bonds, only in specified circumstances and will not be obligated to repurchase any default property in the event of a breach of any of its representations, warranties or covenants regarding the default property. Similarly, ERCOT is obligated under the Servicing Agreement to indemnify us and the Trustee, for itself and on behalf of the holders of 2025 M Bonds, only in specified circumstances. Please read "The Sale Agreement" and "The Servicing Agreement."

Neither the Trustee nor the holders of 2025 M Bonds will have the right to accelerate payments on the 2025 M Bonds as a result of a breach under the Sale Agreement or the Servicing Agreement, absent an event of default under the Indenture relating to the 2025 M Bonds as described in "Description of the Texas Stabilization Subchapter M Bonds—Events of Default; Rights Upon Event of Default." Furthermore, ERCOT might not have sufficient funds available to satisfy its indemnification obligations under these agreements, and the amount of any indemnification paid by ERCOT might not be sufficient for you to recover all of your investment in the 2025 M Bonds. In addition, if ERCOT becomes obligated to indemnify holders of 2025 M Bonds, the then-current ratings on the 2025 M Bonds will likely be downgraded as a result of the circumstances causing the breach and the fact that holders of 2025 M Bonds will be unsecured creditors of ERCOT with respect to any of these indemnification amounts. ERCOT will not indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the 2025 M Bonds, or for any consequential damages, including any loss of market value of the 2025 M Bonds resulting from a default or a downgrade of the ratings of the 2025 M Bonds. Please read "The Sale Agreement—Seller Representations and Warranties" and "—Indemnification" in this Offering Memorandum.

In a recent decision, the Texas Supreme Court has held that ERCOT is a governmental unit of the State of Texas entitled to sovereign immunity under Texas law. Texas courts have held that neither the State nor any governmental unit thereof may be sued under Texas law without consent, and then only in the manner indicated by that consent. The Texas sovereign immunity doctrine includes two distinct principles: immunity from suit and immunity from liability. With regard to breach of contract claims against the State, or a governmental unit thereof such as ERCOT, however, Texas courts have held that when the State, or a governmental unit thereof, enters into a contract with a private party, it waives immunity from liability but not immunity from suit. Immunity from suit deprives a court of subject matter jurisdiction, and can be waived only by the State legislature, either by statute or by special resolution. While ERCOT has agreed to indemnify the Issuing Entity and other parties in limited circumstances under the basic documents, the remedies available depend in many respects upon judicial actions which are often subject to discretion and delay, and may be limited to a mandamus action to compel ERCOT, its board of directors, officers and employees to perform. No assurance can be given, however, that a mandamus or other legal action would be successful.

Finally, if ERCOT were to become a debtor in a bankruptcy case, claims, including indemnity claims, by us against ERCOT under the Servicing Agreement or the Sale Agreement would be unsecured claims and would be adjudicated in the bankruptcy case. In addition, the bankruptcy court might estimate any contingent claims that the Issuing Entity have against ERCOT and, if it determines that the contingency giving rise to these claims is unlikely to occur, estimate the claims at a lower amount. A party in interest in the bankruptcy of ERCOT might challenge the enforceability of these indemnity provisions. If a court were to hold that the indemnity provisions were unenforceable, the Issuing Entity would be left with a

claim for actual damages against ERCOT based on breach of contract principles, which would be subject to estimation and/or calculation by the court. The ERCOT parties cannot give any assurance as to the results if any of the above-described actions or claims were made. Furthermore, the Issuing Entity cannot give any assurance as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving the seller.

The credit ratings are no indication of the expected rate of payment of principal on the 2025 M Bonds.

We expect the 2025 M Bonds will receive a credit rating from one nationally recognized statistical rating organization, an NRSRO, Moody's Investor Service, Inc., or Moody's. A rating is not a recommendation to buy, sell or hold the 2025 M Bonds. The rating merely analyzes the probability that we will repay the total principal amount of the 2025 M Bonds at the final maturity date (which is later than the scheduled final payment date) and will make timely interest payments. The rating is not an indication that the rating agency believes that principal payments are likely to be paid on time according to the expected amortization schedule.

Under Rule 17g-5 of the Exchange Act, NRSROs providing the sponsor with the requisite certification will have access to all information posted on a website by the sponsor for the purpose of determining the initial rating and monitoring the rating after the closing date in respect of the 2025 M Bonds. As a result, an NRSRO other than Moody's, the NRSRO hired by the sponsor, or the **hired NRSRO,** may issue ratings on the 2025 M Bonds, or **Unsolicited Ratings**, which may be lower, and could be significantly lower, than the ratings assigned by the hired NRSRO. The Unsolicited Ratings may be issued prior to or after the closing date in respect of the 2025 M Bonds. Issuance of any Unsolicited Rating will not affect the issuance of the 2025 M Bonds. Issuance of an Unsolicited Rating lower than the ratings assigned by the hired NRSRO on the 2025 M Bonds might adversely affect the value of the 2025 M Bonds and, for regulated entities, could affect the status of the 2025 M Bonds as a legal investment or the capital treatment of the 2025 M Bonds. Investors in the 2025 M Bonds should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of the hired NRSRO. None of ERCOT, us, the Initial Purchasers or any of its affiliates will have any obligation to inform you of any Unsolicited Ratings assigned after the date of this Offering Memorandum. In addition, if we or ERCOT fail to make available to a non-hired NRSRO any information provided to any hired rating agency for the purpose of assigning or monitoring the ratings on the 2025 M Bonds, a hired NRSRO could withdraw its ratings on the 2025 M Bonds, which could adversely affect the market value of your 2025 M Bonds and/or limit your ability to resell your 2025 M Bonds.

The absence of a secondary market for the 2025 M Bonds might limit your ability to resell your 2025 M Bonds.

The Initial Purchasers of the 2025 M Bonds might assist investors in resales of the 2025 M Bonds, but they are not required to do so. A secondary market for the 2025 M Bonds might not develop, and we do not expect to list the 2025 M Bonds on any securities exchange. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your 2025 M Bonds. See "Plan of Sale."

The SEC amended Exchange Act Rule 15c2-11, which governs the publication or submission of quotations in the over-the-counter securities markets. While the amended rule was adopted in 2020 with a compliance date of September 28, 2021, the SEC staff issued a series of no-action letters delaying enforcement for fixed income securities to allow for an orderly transition. Most recently, on November 22, 2024, the staff of the SEC's Division of Trading and Markets issued a no-action letter extending such relief indefinitely, subject to certain conditions. Separately, in October 2023, the SEC issued an exemptive order granting broker-dealers formal relief from Rule 15c2-11 with respect to fixed income securities offered pursuant to Rule 144A under the Securities Act.

Although these actions currently allow broker-dealers to publish quotations for the 2025 M Bonds and similar fixed income securities without full compliance with Rule 15c2-11, both the no-action relief and the exemptive order may be modified, limited, or revoked at any time, either by the SEC or its staff. If the no-action relief were withdrawn or the exemptive order revoked or narrowed, broker-dealers may be unwilling or unable to publish quotations for the 2025 M Bonds on any interdealer quotation system or other quotation medium. This could adversely affect the development or maintenance of a secondary market for the 2025 M Bonds and reduce their liquidity.

In addition, the ability of any Initial Purchaser or other market participant to make a secondary market in the 2025 M Bonds could be adversely affected by the adoption or implementation of other regulatory requirements applicable to the marketing, holding, trading, or quoting of fixed income securities, including future amendments to Rule 15c2-11 or related SEC or FINRA rules.

You might receive principal payments for the 2025 M Bonds later than you expect.

There are a variety of causes that could lead to periodic delays in the timely payment of principal and interest on a payment date, such as delays in ERCOT's ability to invoice, collect and remit default charges, widespread payment defaults, and legal proceedings. If the servicer collects the default charges at a slower rate than expected from any Wholesale Market Participant, it might have to request adjustments of the default charges. Additionally, payment of principal and interest on the 2025 M Bonds will be made from the collection account and subaccounts established under the Indenture. While the eligible investments are traditionally viewed as highly liquid with a low probability of principal loss, invested funds are not entirely immune from losses or liquidity risk.

The 2025 M Bonds will be secured by certain reserves held by the Trustee that may be accessed for the payment of principal and interest on the 2025 M Bonds on each payment date if sufficient funds are not available for any reason. In addition to these reserves, ERCOT, as servicer, has agreed in the Servicing Agreement to implement scheduled and interim true-up adjustments to make up for any payment shortfalls or to replenish reserves. However, the methodology established in the Servicing Agreement will require ERCOT to estimate collection and payment shortfalls, and certain shortfalls may be difficult to accurately estimate or entirely unforeseeable. Additionally, the process for implementing true-up adjustments could take forty-five (45) days or longer in extenuating circumstances. If those adjustments are not timely and accurate, you might experience a delay in payments of principal and interest and a decrease in the value of your investment in the 2025 M Bonds.

ERCOT may cause the issuance, by other affiliated entities, of additional bonds secured by additional default property or other property that includes a nonbypassable charge on Wholesale Market Participants, which may cause a delay in payment of the 2025 M Bonds and potential conflicts of interest among holders of 2025 M Bonds and holders of the 2022 N Bonds.

Any new issuance may include terms and provisions that would be unique to that particular issuance. ERCOT has covenanted in the Sale Agreement that satisfaction of the Rating Agency Condition and the execution and delivery of an intercreditor agreement, or joinder of the relevant parties to the Intercreditor Agreement relating to the 2025 M Bonds and the Texas Stabilization N Bonds, are conditions precedent to the sale of additional similar property consisting of nonbypassable charges payable by customers comparable to the default property to another entity. Please read "Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022—Intercreditor Agreement" and "The Sale Agreement—Covenants of the Seller" in this Offering Memorandum.

In the event a Wholesale Market Participant does not pay in full all amounts owed under any invoice, including default charges, ERCOT, as servicer, is required to allocate any resulting shortfalls in default charges ratably based on the amounts of charges owing in respect of the 2025 M Bonds and Texas Stabilization N Bonds and additional bonds sponsored by ERCOT. However, if a dispute arises with respect to the allocation of such charges or other delays occur on account of the administrative burdens of making such allocation, we cannot assure you that any new issuance would not cause reductions or delays in payment of your 2025 M Bonds.

In addition, actions taken by the holders of the Texas Stabilization N Bonds might conflict with the interests of the beneficial owners of the 2025 M Bonds and could result in an outcome that is materially unfavorable to you.

If the investment of collected default charges and other funds held by the Trustee in the collection account results in investment losses or the investments become illiquid, you may receive payment of principal and interest on the 2025 M Bonds later than you expect.

Funds held by the Trustee in the collection account and cash collateral provided by Wholesale Market Participants will be invested in eligible investments at the written direction of the servicer. Eligible investments include money market funds having a rating not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by holders of 2025 M Bonds in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity is experienced, you might experience a delay in payments of principal and interest and a decrease in the value of your investment in the 2025 M Bonds. **Eligible investments** mean instruments or investment property which evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Trustee or any of its affiliates, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by federal or state banking authorities, so long as the commercial paper or other short term debt obligations of such depository institution are, at the time of deposit, rated not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the 2025 M Bonds;

(c) commercial paper (including commercial paper of the Trustee or any of its affiliates, acting in its commercial capacity, and other than commercial paper of ERCOT or any of its affiliates), which at the time of purchase is rated not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the 2025 M Bonds;

(d) investments in money market funds (including funds for which the Trustee or any of its affiliates is investment manager or advisor), which at the time of purchase are rated not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the 2025 M Bonds;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or certain of its agencies or instrumentalities, entered into with eligible institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an eligible institution or with a registered broker dealer, acting as principal and that meets the ratings criteria; and

(g) any other investment permitted by each of the rating agencies;

in each case maturing not later than the Business Day immediately preceding the next payment date or special payment date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments which are redeemable on demand will be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments which mature in thirty (30) days or more will be "eligible investments" unless the issuer thereof has either a short-term unsecured debt rating of at least P-1 from Moody's or a long-term unsecured debt rating of at least A1 from Moody's and also has a long-term unsecured debt rating of at least A+ from S&P; (2) no securities or investments described in clauses (b) through (d) above which have maturities of more than thirty (30) days but less than or equal to three (3) months will be "eligible investments" unless the issuer thereof has a long-term unsecured debt rating of at least A1 from Moody's and a short-term unsecured debt rating of at least P-1 from Moody's; (3) no securities or investments described in clauses (b) through (d) above which have maturities of more than three (3) months will be an "eligible investment" unless the issuer thereof has a long-term unsecured debt rating of at least A1 from Moody's and a short-term unsecured debt rating of at least P-1 from Moody's.

European Union and United Kingdom Securitization Framework may apply, and the 2025 M Bonds may not be suitable investments for certain investors.

EU legislation comprising Regulation (EU) 2017/2402, or the EU Securitization Regulation, and all related regulatory and/or implementing technical standards adopted by the European Commission and official guidance published in relation thereto or, together, the EU Securitization Rules, impose certain restrictions and obligations with regard to a "securitisation" (as such term is defined for purposes of the EU Securitization Regulation). The EU Securitization Rules are in force throughout the EU (and are expected also to be implemented in the non-EU member states of the European Economic Area) in respect of securitizations the securities of which are issued (or the securitization positions of which are created) on or after January 1, 2019.

Investors should be aware, and in some cases are required to be aware, of the requirements with respect to "securitisations" as defined in the EU Securitization Rules and the UK Securitization Framework which currently apply, or are expected to apply in the future, in respect of certain specified types of EU regulated investors falling within the definition of "institutional investor" under the EU Securitization Regulation and in respect of certain specified types of UK regulated

investors falling within the definition of "institutional investor" under the UK Securitization Framework, each an Affected Investor. Among other things, the EU Securitization Rules and the UK Securitization Framework each contain risk retention and due diligence requirements, or the Risk Retention Requirements and the Due Diligence Requirements, respectively, which restrict an Affected Investor from investing in securitizations unless: (i)(a) the originator, sponsor or original lender in respect of the relevant securitization has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% percent in respect of certain specified credit risk tranches or securitized exposures, and (b) the risk retention is disclosed to the Affected Investor in accordance with the EU Securitization Rules or the UK Securitization Framework (as relevant); (ii) the originator or original lender grants all the credits giving rise to the underlying exposure on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness; (iii) (a) (in the case of an institutional investor (as defined in the EU Securitization Regulation)) the originator, sponsor or securitization special purpose entity, or an SSPE, has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation in accordance with the frequency and modalities provided for in that Article, or (b) (in the case of an institutional investor (as defined in the UK Securitization Framework)), (A) if established in the United Kingdom, the originator, sponsor or SSPE has, where applicable, made available the information required by Article 7 of the UK Securitization Framework in accordance with the frequency and modalities provided for in that Article or (B) if established in a third country, the originator, sponsor or SSPE has, where applicable, (I) made available information which is substantially the same as that which it would have made available in accordance with Article 5(1)(e) of the UK Securitization Framework if it had been established in the United Kingdom and (II) has done so with such frequency and modalities as are substantially the same as those with which it would have made information available in accordance with Article 5(1)(e) of the UK Securitization Framework if it had been established in the United Kingdom; and (v) such Affected Investor is able to demonstrate that they have undertaken certain due diligence in respect of various matters including but not limited to the risk characteristics of its investment position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and that procedures have been established for such activities to be monitored on an ongoing basis. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the offered 2025 M Bonds acquired by the relevant Affected Investor.

Although the Issuer has determined that the 2025 M Bonds should not be a "securitisation" for the purposes of either the EU Securitization Regulation or the UK Securitization Framework (because each defines "securitisation" as "a transaction or scheme where the credit risk associated with an exposure or a pool of exposures is tranched", where a "tranche" means "a contractually established segment of the credit risk associated with an exposure or a pool of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in another segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments"), Affected Investors will need to determine whether this transaction is, or could become, a "securitisation" for the purposes of either Securitization Regulation and would therefore require compliance with the EU Securitization Rules or the UK Securitization Framework.

Neither the Sponsor nor any other party to the transaction described in this Offering Memorandum will retain or commit to retain a 5% material net economic interest with respect to this transaction in accordance with the Risk Retention Requirements. In addition, no party makes or intends to make any representation or agreement that it or any other party is undertaking or will undertake (i) to make information available as required in accordance with either Securitization Regulation, (ii) take any other action, or refrain from taking any action, to facilitate or enable the compliance by any Affected Investor with the requirements of EU Securitization Rules or the UK Securitization Framework or (iii) to comply with the requirements of any other law or regulation now or hereafter in effect in the EU, any EEA member state or the UK, in relation to risk retention, due diligence and monitoring, credit granting standards or any other conditions applicable with respect to investments in securitization transactions by an Affected Investor.

None of the Trustee, the Initial Purchasers, the Sponsor, or any other party to the transaction or their respective affiliates or any other person (i) makes any representation, warranty or guarantee as to whether or not the transaction described in this Offering Memorandum is a "securitisation" for the purposes of either Securitization Regulation or complies with the EU Securitization Rules or the UK Securitization Framework, or any other applicable legal, regulatory or other requirements; (ii) will have any liability to any prospective investor or any other person with respect to the failure of the transactions contemplated herein to comply with or otherwise satisfy the EU Securitization Rules or the UK Securitization Framework, or any other applicable legal, regulatory or other requirements; or (iii) will have any obligation to enable compliance with the EU Securitization Rules or the UK Securitization Framework or any other applicable legal, regulatory or other requirements.

Changes to the regulation or regulatory treatment of the 2025 M Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the 2025 M Bonds in the secondary market. Prospective investors of the 2025 M Bonds which are subject to the EU Securitization Rules or the UK Securitization Framework should analyze their own regulatory position consult with their own investment, legal, accounting and other advisors regarding the scope, applicability and compliance with the relevant Due Diligence Requirements as applicable to them and the suitability of the 2025 M Bonds for investment. None of the Trustee, the Initial Purchasers, the Sponsor, or any other party to the transaction makes any representation to any prospective investor or purchaser of the 2025 M Bonds regarding the regulatory position with respect to any investor, or the regulatory capital treatment of its investment in the 2025 M Bonds on the closing date or at any time in the future.

Our ability to assess and collect default charges depends in part on the reliability and continued development of the Texas electric grid, which could be adversely affected by recent or future changes in U.S. trade policy.

ERCOT's performance as servicer is dependent on the overall reliability and functionality of the ERCOT electricity grid, which in turn relies on the timely completion of infrastructure projects and the availability of critical electrical components. Recent developments in U.S. trade policy—including the potential imposition of tariffs on imports and across-the-board tariffs on steel and aluminum—may adversely affect the availability and cost of such components, including transformers and other specialized equipment essential to the expansion and maintenance of the ERCOT power grid.

Texas is a significant importer of high-voltage transformers, many of which are sourced from Mexico. If tariffs are imposed or increased on imports or on materials such as grain-oriented electrical steel (a key input for transformers), this could lead to higher costs and longer lead times for new generation and transmission infrastructure. Delays or disruptions in the development of new capacity may impair the reliability of the ERCOT power grid, particularly during periods of peak demand, and could reduce the confidence of market participants, commercial users, and large-scale consumers such as data centers and industrial facilities.

A decline in grid reliability or a perceived deterioration in ERCOT's ability to ensure adequate generation could undermine market liquidity and elevate default risk among QSEs and other market participants they represent and CRRAHs. Any such increase in default risk could impair ERCOT's ability to invoice and collect default charges or otherwise perform its obligations under the Servicing Agreement. Moreover, ongoing concerns regarding infrastructure adequacy could affect the long-term viability and attractiveness of the ERCOT market, thereby indirectly impacting the performance of the 2025 M Bonds.

REVIEW OF DEFAULT PROPERTY

Consistent with disclosure obligations under applicable securities laws, ERCOT, as sponsor, has performed, as described below, a review of the default property underlying the 2025 M Bonds. The review was designed and effected to provide reasonable assurance that disclosure regarding the default property is accurate in all material respects. ERCOT did not engage a third party in conducting its review.

The 2025 M Bonds will be secured under the Indenture by a security interest in the default property and the other property described under "Security for the 2025 M Bonds – Pledge of Collateral." The default property is a present property right authorized and created pursuant to Subchapter M and the irrevocable debt obligation order. The default property includes the irrevocable right to impose, collect and receive nonbypassable default charges in amounts sufficient to pay scheduled principal and interest and other amounts and charges in connection with the 2025 M Bonds. The default charges are payable by QSEs representing other market participants and CRRAHs, within the ERCOT power region, including other market participants who enter the market at a later date. The default charges will be allocated among the Wholesale Market Participants based on their activity ratio share.

Default charges authorized in the debt obligation order that relate to the default property are irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission. Default charges are, however, subject to annual, semi-annual and interim true-up adjustments to correct over-collections or under-collections and to provide the expected recovery of amounts sufficient to timely provide all scheduled payments of debt service and other required amounts and charges in connection with the 2025 M Bonds. There is no cap on the level of default charges that may be imposed on Wholesale Market Participants in the ERCOT power region to meet scheduled principal of and interest on the 2025 M Bonds and ongoing costs. All revenues and collections resulting from default charges provided for in the debt

obligation order that relate to the 2025 M Bonds are part of the default property. The default property relating to the 2025 M Bonds is described in more detail under “Description of the Default Property” in this Offering Memorandum.

In the debt obligation order, the Commission, among other things:

- orders that ERCOT, as servicer, shall collect from all Wholesale Market Participants under the debt obligation order, default charges in an amount sufficient to provide for the timely payment of principal, interest, and other amounts and charges in connection with the 2025 M Bonds, and

- orders that, following the transfer of the default property to us by ERCOT, we shall have all of the rights, title and interest of ERCOT with respect to the default property.

Please read “Subchapter M” and “ERCOT’s Debt Obligation Order” in this Offering Memorandum for more information.

The characteristics of the default property are unlike the characteristics of assets underlying mortgage or other commercial asset backed securitizations because the default property is a creature of statute and state regulatory commission proceedings. Because the nature and characteristics of the default property and many elements of the securitization are set for and constrained by Subchapter M; ERCOT, as sponsor, does not select the assets to be securitized in ways common to many securitizations. Moreover, the 2025 M Bonds do not contain origination or underwriting elements similar to typical mortgage or other loan transactions involved in other forms of asset-backed securities. Subchapter M and the Commission require the imposition on, and collection of default charges from all QSEs (excluding Exempt Customers) representing other market participants and CRRAHs located within the ERCOT power region. Since the default charges are assessed against all QSEs (excluding Exempt Customers) representing other market participants and CRRAHs and the true-up adjustment mechanism adjusts for the impact of defaults, the collectability of the default charges is not ultimately dependent upon the credit quality of the particular Wholesale Market Participant, as would be the case in the absence of the true-up adjustment mechanism.

The review by ERCOT of the default property underlying the 2025 M Bonds has involved a number of discrete steps and elements as described in more detail below. First, ERCOT has analyzed and applied Subchapter M’s requirements for securitization of the default balance in seeking approval of the Commission for the issuance of the debt obligation order and in its proposal with respect to the characteristics of the default property to be created pursuant to the debt obligation order. In preparing this offering, ERCOT worked with its counsel in preparing the application for a debt obligation order and with the Commission on the terms of the debt obligation order. ERCOT analyzed the terms of previous securitizations under PURA and the practical experience gained in structuring and issuing the Texas Stabilization M Bonds, Series 2021, and the Texas Stabilization N Bonds, Series 2022. Moreover, ERCOT worked with its counsel, its structuring agent, and counsel to the Initial Purchasers in preparing the legal agreements that provide for the terms of the 2025 M Bonds and the security for the 2025 M Bonds. ERCOT has analyzed economic issues and practical issues for the scheduled payment of the 2025 M Bonds and reviewed the impacts of economic factors.

In light of the unique nature of the default property, ERCOT has taken (or prior to the offering of the 2025 M Bonds, will take) the following actions in connection with its review of the default property and the preparation of the disclosure for inclusion in this Offering Memorandum describing the default property, the 2025 M Bonds and the proposed securitization:

- reviewed Subchapter M and the rules and regulations of the Commission as they relate to the default property in connection with the preparation and filing of the application with the Commission for the approval of the debt obligation order in order to confirm that the application and proposed order satisfied applicable statutory and regulatory requirements;

- actively participated in the proceeding before the Commission relating to the approval of the requested order;

- compared the debt obligation order, as issued by the Commission, to Subchapter M and the rules and regulations of the Commission as they relate to the default property to confirm that the debt obligation order met such requirements;

- compared the proposed terms of the 2021 M Bonds and 2025 M Bonds to the applicable requirements in Subchapter M, the debt obligation order and the regulations of the Commission to confirm that they met such requirements;

- prepared and reviewed the agreements to be entered into in connection with the issuance of the 2021 M Bonds and 2025 M Bonds and compared such agreements to the applicable requirements in Subchapter M, the debt obligation order and the regulations of the Commission to confirm that they met such requirements;

- reviewed the disclosure in this Offering Memorandum regarding Subchapter M, the debt obligation order and the agreements to be entered into in connection with the issuance of the 2025 M Bonds, and compared such descriptions to the relevant securitization provisions of Subchapter M, the debt obligation order and such agreements to confirm the accuracy of such descriptions;

- consulted with legal counsel to assess if there is a basis upon which the holders of 2025 M Bonds (or the Trustee acting on their behalf) could successfully challenge the constitutionality of any legislative action by the state of Texas (including the Commission) that could repeal or amend Subchapter M that could substantially impair the value of the default property, or substantially reduce, alter or impair the default charges;

- reviewed the process and procedures in place for it, as servicer, to perform its obligations under the Servicing Agreement, including without limitation, billing and collecting the default charges, forecasting default charge revenues, preparing and filing applications for true-up adjustments to the default charges and enforcing ERCOT Nodal Protocols;

- reviewed the operation of the true-up mechanism for adjusting default charge levels to meet the scheduled payments on the 2025 M Bonds; and

- with the assistance of its structuring agent and the Initial Purchasers, prepared financial models in order to set the initial default charges to be provided for under the default property at a level sufficient to pay on a timely basis scheduled principal, interest, and other charges in connection with the 2025 M Bonds.

In connection with the preparation of such models, ERCOT:

- reviewed the historical maximum market activity within the ERCOT market; and

- analyzed the sensitivity of the weighted average life of the 2025 M Bonds in relation to variances in actual adjusted meter load and related charge collections from forecasted levels and in relation to the true-up adjustment in order to assess the probability that the weighted average life of the 2025 M Bonds may be extended as a result of such variances, and in the context of the operation of the true-up adjustment for adjustment of default charges to address under-collections or over-collections in light of scheduled payments on the 2025 M Bonds to prevent an event of default.

As a result of this review, ERCOT has concluded that:

- the default property, the debt obligation order and the agreements to be entered into in connection with the issuance of the 2025 M Bonds meet in all material respects the applicable statutory and regulatory requirements;

- the disclosure in this Offering Memorandum regarding Subchapter M, the debt obligation order, and the agreements to be entered into in connection with the issuance of the 2025 M Bonds is as of its date, accurate in all material respects;

- the servicer has adequate processes and procedures in place to perform its obligations under the Servicing Agreement;

- Default charges, as adjusted from time to time as provided in Subchapter M and the debt obligation order, are expected to be sufficient to pay on a timely basis scheduled principal, interest, and other charges in connection to the 2025 M Bonds; and

- the design and scope of ERCOT's review of the default property as described above is effective to provide reasonable assurance that the disclosure regarding the default property in this Offering Memorandum is accurate in all material respects.

SUBCHAPTER M

An Overview of Subchapter M

In February 2021, Winter Storm Uri resulted in outages at many of the generation resources within the ERCOT power region, and the demand for power exceeded supply for several days during the week of the storm. The inadequate supply of power required that Load be involuntarily shed to protect the integrity of the ERCOT System, and many Texans lost power for extended periods that week. This condition also drove up prices in the wholesale electricity market causing a number of market participants to default on their payment obligations under ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to collect sufficient funds to fully pay certain wholesale market participants who were due payments from ERCOT for power they produced during the storm.

To address these problems, the Legislature enacted two bills that authorized financing mechanisms to provide funds to help ERCOT and market participants meet their obligations. One bill added Subchapters M and N to Chapter 39 of PURA and the other bill authorized certain coops to engage in securitization transactions and each provided authority for a financing mechanism to address different aspects of the financial problem.

The Legislature found that the use of the debt financing mechanism authorized in Subchapter M would (i) enable wholesale market participants that were owed money to be paid in a more timely manner, (ii) replenish financial revenue auction receipts temporarily used by ERCOT to reduce amounts related to Winter Storm Uri that were short paid to the wholesale market participants, and (iii) allow the wholesale market to repay the default balance over time, alleviating liquidity issues and reducing the risk of additional defaults in the wholesale market. The Legislature also found that authorizing financing under Subchapter M serves the public purpose of preserving the integrity of the electricity market in the ERCOT power region. The Commission concluded that the debt financing mechanism approved in the debt obligation order meets the goals of the Legislature.

Further, as required by Subchapter M to approve the debt financing mechanism described in the debt obligation order, the Commission found that financing the default balance and costs will support the financial integrity of the wholesale electricity market and is necessary to protect the public interest, considering the impacts on both wholesale market participants and retail electricity customers. As discussed in the debt obligation order, the mechanism proposed by ERCOT in its application, as modified by the debt obligation order, meets these standards and provides significant benefits to both wholesale market participants and retail electricity customers.

The financial mechanisms authorized in Subchapter M are meant to address the default balance amounts owed to ERCOT by competitive wholesale market participants that were incurred during a specified period: the period of emergency, which is defined as the period beginning at 12:01 a.m. on February 12, 2021 and ending at 11:59 p.m. on February 20, 2021.

The default balance is defined as an amount of money of not more than $800 million that included only: (1) amounts owed to ERCOT by competitive wholesale market participants from the period beginning 12:01 a.m. February 12, 2021, and ending 11:59 p.m. February 20, 2021 (the period of emergency) that otherwise would be or have been paid to other wholesale market participants; (2) the amount of financial revenue auction receipts used by ERCOT to temporarily reduce amounts short-paid to wholesale market participants related to the period of emergency; and (3) reasonable costs incurred by a state agency or ERCOT to implement the debt obligation order, including the cost of retiring or refunding their existing debt owed by ERCOT.

Subchapter M provides several benefits and protections for the financing of the default balance. One of these is that transactions involving the transfer and ownership of default property and the receipt of default charges are exempt from state and local income, sales, franchise, gross receipts, and other taxes or similar charges.

ERCOT Authorized to Cause the Issuance of Bonds to Recover the Securitizable Amount

We May Issue Bonds to Recover the Securitizable Amount

Subchapter M authorizes the Commission to issue orders approving the issuance of bonds, such as the 2021 M Bonds issued by us, to recover the default balance.

The Legislature provided multiple avenues to address the default charges: a debt obligation order under PURA § 39.603 or Commission-authorized financing under PURA § 39.604. However, ERCOT was directed by the Legislature to file an application for a debt obligation order under PURA § 39.603 by July 16, 2021, and it did so.

Upon the issuance of the 2021 M Bonds, we transferred the net proceeds from the sale of the 2021 M Bonds to ERCOT to replenish financial revenue auction receipts used by ERCOT to reduce amounts short paid to wholesale market participants; to pay wholesale market participants that are owed default balances in the amounts required under the debt obligation order and costs incurred by ERCOT to implement the debt obligation order. Each market participant that received proceeds from the 2021 M Bonds was required to use the proceeds solely to fulfill payment obligations directly related to costs. Any other market participant that received any portion of the net proceeds of the 2021 M Bonds that exceeded the entity's actual short payment was required to immediately notify ERCOT and remit any excess receipts back to ERCOT, and any such excess receipts received by ERCOT were delivered to the Trustee for deposit into the collection account.

Creation of Default Property.

The rights and interests of ERCOT, or a successor, under the debt obligation order, including the right to impose, collect, and receive default charges were only contract rights until they were first transferred or pledged in connection with the issuance of debt obligations. In 2021, in connection with the issuance of the 2021 M Bonds, after a transfer or pledge, the rights and interest became default property. Default property is a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of default charges depends on further acts of ERCOT, or others, which have not yet occurred. Further, the debt obligation order remains in effect and the default property continues to exist for the same period as the State Pledge. In addition, all revenues and collections resulting from default charges constitute proceeds only of the default property arising from the debt obligation order.

The Debt Obligation Order is Irrevocable.

Pursuant to Subchapter M and the debt obligation order, the debt obligation order together with the default charges authorized in the debt obligation order became irrevocable and, except as set forth below, not subject to reduction, impairment, or adjustment by the Commission when issued on October 14, 2021. Subchapter M provides that the debt obligation order is not subject to rehearing by the Commission. Any party wishing to file an appeal challenging the debt obligation order was required to file in Travis County district court within fifteen (15) days of October 14, 2021, which was the date the debt obligation order was signed by the Commission. No such appeal was filed. The servicer is authorized to adjust the default charges pursuant to Subchapter M and the debt obligation order to correct over-collections or under-collections and to provide that sufficient funds are available to provide on a timely basis for payments of debt service and other required amounts in connection with the 2021 M Bonds and the 2025 M Bonds. Although the debt obligation order is irrevocable, Subchapter M allows the Commission to issue one or more new orders to provide for refinancing the 2021 M Bonds and the 2025 M Bonds if such refinancing is in the public interest and otherwise meets the requirements of Subchapter M.

State Pledge.

Debt obligations issued under the debt obligation order, including the 2025 M Bonds, are not a debt or obligation of the state of Texas and are not a charge on the state's full faith and credit or taxing power. The state of Texas has pledged, however, for the benefit and protection of financing parties, including holders of 2025 M Bonds, and ERCOT that it will not take or permit any action that would impair the value of the 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, if any, 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 debt obligation order is authorized to include this pledge in any documentation relating to the obligation.

Constitutional Matters.

To date, no federal or Texas cases addressing the repeal or amendment of securitization provisions analogous to those contained in Subchapter M have been decided. There have been cases in which federal courts have applied the Contract Clause of the United States Constitution and Texas courts have applied the Contract Clause of the Texas Constitution to strike down legislation regarding similar matters, such as legislation reducing or eliminating taxes, public charges or other sources of revenues servicing other types of bonds issued by public instrumentalities or private issuers (or issuing entities),

or otherwise substantially impairing or eliminating the security for bonds or other indebtedness. Based on this case law, Winstead PC expects to deliver an opinion, prior to the closing of the offering of the 2025 M Bonds to the effect that the language of the State Pledge constitutes a contractual relationship with the bondholder and, therefore, the holders of 2025 M Bonds (or the Trustee acting on their behalf) could, absent a demonstration that such action was necessary to serve a significant and legitimate public purpose, challenge successfully the constitutionality under the United States Constitution of any act by the state of Texas (including the Commission) of a legislative character to repeal or amend Subchapter M, or to take or refuse to take any action required under its pledge described above if the repeal or amendment or the action or inaction would limit, alter, impair or reduce the value of the default property or the default charges so as to substantially impair (i) the terms of the Indenture or 2025 M Bonds or (ii) the rights and remedies of the holders of 2025 M Bonds (or the Trustee acting on their behalf) prior to the time that the 2025 M Bonds are fully paid and discharged. In addition, based upon this case law, Winstead PC expects to deliver an opinion, prior to the closing of the offering of the 2025 M Bonds, to the effect that the pledge described above provides a basis upon which the holders of 2025 M Bonds (or the Trustee acting on their behalf) could challenge successfully in the Texas courts under the Contract Clause of the Texas Constitution the constitutionality of any action by the state of Texas (including the Commission) of a legislative character, that seeks to repeal the State Pledge or limits, alters, impairs or reduces the value of the default property so as to cause a substantial impairment under the Contract Clause of the Texas Constitution of (i) the terms of the Indenture or the 2025 M Bonds or (ii) the rights and remedies of the holders of 2025 M Bonds (or the Trustee acting on their behalf) prior to the time the 2025 M Bonds are fully paid and discharged. It may be possible for the Legislature to repeal or amend PURA or for the Commission to amend or revoke the debt obligation order notwithstanding the state's pledge, if the Legislature or the Commission acts in order to serve a significant and legitimate public purpose, such as protecting the public health and safety or responding to a national or regional catastrophe affecting the ERCOT power region, or if the Legislature otherwise acts in the valid exercise of the state's police power. We will file a copy of each of the Winstead PC opinions with the Trustee. See "Where Prospective Investors Can Find More Information" in this Offering Memorandum.

In addition, any action of the Legislature adversely affecting the default property or the ability to collect default charges may be considered a "taking" under the United States or Texas Constitutions. Winstead PC has advised us that it is not aware of any federal or Texas court cases addressing the applicability of the Takings Clause of the United States or Texas Constitutions in a situation analogous to that which would be involved in an amendment or repeal of Subchapter M. It is possible that a court would decline even to apply a Takings Clause analysis to a claim based on an amendment or repeal of Subchapter M, since, for example, a court might determine that a Contract Clause analysis rather than a Takings Clause analysis should be applied. Winstead PC expects to render an opinion, prior to the closing of the offering of the 2025 M Bonds, to the effect that under existing case law, assuming a Takings Clause analysis were applied under the United States Constitution, the state of Texas would be required under the United States Constitution to pay just compensation to the holders of 2025 M Bonds if the State were to repeal or amend PURA, or if the Commission were to amend or revoke the debt obligation order or take any other action in contravention of the State Pledge, in either case which (i) permanently appropriates the default property or denies all economically productive use of the default property; (ii) destroys the default property, other than in response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the default property, if the law unduly interferes with the holders of 2025 M Bonds' reasonable expectations arising from their investments in the 2025 M Bonds. In determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with the legitimate property interests and distinct investment-backed expectations of the holders of 2025 M Bonds. In addition, Winstead PC expects to render an opinion, prior to the closing of an offering of the 2025 M Bonds, to the effect that under existing case law, assuming a Takings Clause analysis were applied under the Texas Constitution, a Texas state court would find a compensable taking under the Takings Clause of the Texas Constitution if (a) it concludes that the default property is property of a type protected by the Takings Clause of the Texas Constitution and (b) the state of Texas (including the Commission) takes action that, without paying just compensation to the holders of 2025 M Bonds, (i) permanently appropriates the default property or denies all economically productive use of the default property; or (ii) destroys the default property, other than in response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the default property, if the action unduly interferes with the holders of 2025 M Bonds' reasonable investment backed expectations. In examining whether action of the Legislature amounts to a regulatory taking, both federal and state courts will consider the character of the governmental action and whether such action substantially advances the state's legitimate governmental interests, the economic impact of the governmental action on the holders of 2025 M Bonds, and the extent to which the governmental action interferes with distinct investment-backed expectations. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient for holders of 2025 M Bonds to recover fully their investment in the 2025 M Bonds.

In connection with the foregoing, Winstead PC has advised us that issues relating to the Contract and Takings Clauses of the United States and Texas Constitutions are essentially decided on a case-by-case basis and that the courts'

determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case, and Winstead PC has further advised us that there are no reported controlling judicial precedents that are directly on point. The opinions described above will be subject to the qualifications included in them. The degree of impairment necessary to meet the standards for relief under a Takings Clause analysis or Contract Clause analysis could be substantially in excess of what a bondholder would consider material.

For a discussion of risks associated with potential judicial, legislation or regulatory actions, please read "Risk Factors—Risks Associated with Potential Judicial, Legislative or Regulatory Actions."

The Default Charges may be Adjusted.

While PURA requires the Commission to provide in all orders a mechanism requiring that default charges be adjusted at least annually, the final debt obligation order increased this requirement by providing that true-up adjustments will be performed at least semi-annually. The purpose of these adjustments is:

- to correct any over-collections or under-collections during the preceding twelve (12) months, and
- to provide for the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the 2025 M Bonds.

Default Charges are Nonbypassable.

Subchapter M provides that the default charges are nonbypassable. The debt obligation order further provides that the default charges are nonbypassable to Wholesale Market Participants, such that all CRRAHs and all QSEs (excluding Exempt Customers) must pay the default charges to ERCOT on behalf of other market participants whose interests they may represent. Moreover, the default charges are nonbypassable to Wholesale Market Participants who are in default but still participating in the ERCOT market and those who enter the market after the date the debt obligation order was issued. As authorized by Subchapter M and the debt obligation order, ERCOT has adopted protocols to establish appropriate fees and other methods for collection of default charges and pursuing amounts owed by entities exiting the wholesale market. Please see "ERCOT: The Depositor, Seller, Initial Servicer and Sponsor" in this Offering Memorandum.

PURA Provides a State Tax Exemption for Default Property and Receipt of Default Charges.

Section 39.607 of PURA provides that the "transfer and receipt of default charges are exempt from state and local sales and use, franchise, and gross receipts taxes."

ERCOT'S DEBT OBLIGATION ORDER

Determination of the Securitizable Amount Financed Through the 2021 M Bonds

On July 16, 2021, ERCOT filed an application with the Commission for a debt obligation order under PURA § 39.603 to approve the following: (1) the default balance in an aggregate securitizable amount of up to $800 million, (2) the assessment of default charges to all wholesale market participants except those expressly exempted by PURA for the payment of the default balance, (3) the debt obligation financing structure, and (4) the securitization of default charges and the creation of default property to be pledged and assigned by ERCOT as collateral or sold and transferred in connection with the approved financing structure. The **securitizable amount** means the default balance of not more than $800 million that includes (1) the unpaid default amounts, (2) the revenue auction receipts, and (3) upfront costs associated with the issuance of the 2021 M Bonds.

ERCOT's Order

On October 14, 2021, the Commission issued a final order under Commission Docket No. 52321 approving ERCOT's application under Subchapter M approving the default balance, the assessment and collection of default charges, and authorizing the issuance of the 2021 M Bonds and any bonds issued to refinance the balance owing on the 2021 M Bonds (i.e., the 2025 M Bonds), among other things. The debt obligation order became final and non-appealable on October 28, 2021.

Pursuant to the debt obligation order:

- ERCOT was authorized to issue the 2021 M Bonds in one or more series, in an aggregate principal amount not to exceed the securitizable amount, to securitize the default charges, and create default property to be pledged and assigned by ERCOT as collateral and a source of repayment for the 2021 M Bonds.

- The default charges were to be assessed over the scheduled life of the 2021 M Bonds, as applicable, which may not exceed thirty (30) years from the date of issuance of the 2021 M Bonds.

- We are authorized to refinance any prior series of the Subchapter M Bonds, including the 2021 M Bonds, without further Commission approval. Any such refinancing bonds, including the 2025 M Bonds, may be offered for sale in public or private markets.

- The Commission, acting through its designated representative, has a decision-making role co-equal with ERCOT with respect to the structuring and pricing of the 2025 M Bonds. All matters related to the structuring and pricing of the 2025 M Bonds will be determined, through a joint decision of ERCOT and the Commission, acting through its designated representative. Prior to the issuance of the 2025 M Bonds, the Commission's designated representative must notify, ERCOT and the Commission whether the structuring, pricing, and marketing of each series of bonds complies with the criteria established in the debt obligation order. Such notification will be required to be provided with respect to the 2025 M Bonds. The Commission retains final authority to determine if the proposed issuance of the 2025 M Bonds complies with PURA and the debt obligation order.

- ERCOT may recover its actual ongoing costs through the default charges.

- ERCOT must use a special purpose entity to issue the 2025 M Bonds – in this case, the Issuing Entity.

- We are authorized to enter into the Servicing Agreement and the Administration Agreement.

- ERCOT is directed to take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information to allow the Commission or its designated representative to fully participate in, and exercise its decision-making power over, the securitization.

- The servicer will perform at least annual true-ups and may perform other interim true-ups, as required, to default charges.

- We used the net proceeds from the sale of the 2021 M Bonds, after payment of upfront costs, to purchase from ERCOT the default property.

- The servicer is authorized to exercise all of the rights, remedies, and other methods for pursuing collection of default charges from Wholesale Market Participants. ERCOT or any subsequent holder of the default property is entitled to exercise any such remedies and take any action in accordance with PURA, the Commission's substantive rules, a Commission Order, or the ERCOT Nodal Protocols then in effect.

We have placed on file with the Trustee a copy of the debt obligation order. We have summarized herein portions of the debt obligation order and reference is made to the full text of the debt obligation order a copy of which is posted on the sponsor's website at https://www.ercot.com/about/hb4492securitization/subchapterm. See "Where Prospective Investors Can Find More Information" in this Offering Memorandum.

Collection of Default Charges

The debt obligation order authorizes ERCOT to impose default charges on, and the servicer is authorized to assess and collect default charges from, all CRRAHS and all QSEs (other than the Exempt Customers) representing other market participants. ERCOT has developed and adopted protocol provisions governing the assessment and collection of default charges. The default charges assessed and collected must be sufficient to service the principal, interest and related charges for the 2025 M Bonds. We may not charge default charges for 2025 M Bonds after the thirtieth (30th) anniversary of the date of issuance of the 2021 M Bonds; provided, however, that we are authorized to recover default charges after the thirtieth (30th) anniversary of the date of issuance of the 2021 M Bonds to the extent the default charges were assessed during the thirty (30) year period but have not been recovered.

Issuance Advice Letter

By the close of the business day after the pricing date for the 2025 M Bonds, and prior to their issuance, ERCOT is required to file with the Commission an issuance advice letter, which will:

- demonstrate compliance with the requirements of the debt obligation order,

- evidence the final terms on which the 2025 M Bonds will be issued,

- show the actual dollar amount of the default charges relating to the 2025 M Bonds,

- identify the default property that we purchased relating to the 2021 M Bonds,

- identify us, and

- certify that, based on information reasonably available, the structuring and pricing of the 2025 M Bonds will result in the lowest default charges consistent with market conditions and the terms of the debt obligation order.

The issuance advice letter will become effective with respect to the 2025 M Bonds unless the Commission issues an order, prior to noon on the fourth (4th) business day after the determination of the final terms of the 2025 M Bonds, that the proposed issuance does not comply with the requirements of PURA, Subchapter M or the debt obligation order.

Statutory True-Ups

PURA mandates that default charges be reviewed and adjusted at least annually, to correct any under-collections or over-collections during the preceding twelve (12) months, and ensure the expected recovery of amounts sufficient to timely make all payments of debt service and other required amounts and charges in connection with the debt obligation order ("**annual true-up**"). The servicer will be required to provide an annual true-up calculation until the scheduled maturity of the 2025 M Bonds, and if that calculation projects any under collections or over-collections of default charges during the preceding twelve (12) months, then the servicer will implement such annual true-up adjustment in accordance with the standard true-up procedure, as more fully described below. In addition to an annual true-up, the servicer is also required to provide a semi-annual interim true-up calculation ("**semi-annual true-up**") of under-collection charges every year until the scheduled maturity of the 2025 M Bonds. If a semi-annual true-up calculation projects any under-collections of default

charges, then the servicer will implement a true-up adjustment in accordance with the standard true-up procedure, as more fully described below, for the remainder of the annual period. The required debt service payments and other charges and amounts are sometimes referred to as the "**periodic payment requirement**."

True-ups will be based upon the cumulative differences between the periodic payment requirement (including scheduled principal and interest payments on the 2025 M Bonds) and the amount of default charge remittances to the Trustee. True-up adjustments consider among other things (i) any increases or decreases in the periodic payment requirement, including any unanticipated ongoing costs relating to the administration and maintenance of the 2025 M Bonds, (ii) any changes to the ERCOT Nodal Protocols or procedures relating to uncollectibles and delinquencies, including declines in collection from any ERCOT customer class**,** (iii) any changes to the ERCOT Nodal Protocols relating to its allocation methodology for the collection of default charges, to the extent permitted under the debt obligation order, and (iv) any changes to the ERCOT Nodal Protocols or procedures relating to the collection of default charges from Wholesale Market Participants, to the extent permitted under the debt obligation order.

For each annual true-up, the servicer will (i) calculate under-collections or over-collections from the preceding true-up period by subtracting the previous period's default charges revenues collected from the periodic payment requirement determined for the same period, (ii) estimate any anticipated under-collections or over-collections for the current or upcoming true-up period, (iii) calculate the periodic payment requirement for the upcoming true-up period, taking into account the total amount of prior and anticipated over-collection and under-collection amounts described in steps (i) and (ii) in this paragraph and calculate the monthly amortization amount for the periodic payment requirement, and (iv) assess the updated monthly amortization amount to each Wholesale Market Participant in accordance with the default-charges assessment methodology.

For each semi-annual true-up, the servicer will (i) calculate only under-collections for the semi-annual true-up period by subtracting the semi-annual period's default charges revenues collected from the periodic billing requirement determined for the same period, (ii) estimate any anticipated under-collections for the remaining annual true-up period, (iii) calculate the periodic billing requirement for the remaining annual true-up period, taking into account the total amount of prior and anticipated under-collection amounts described in steps (i) and (ii) in this paragraph and calculate the monthly amortization amount for the periodic billing requirement, and (iv) assess the updated monthly amortization amount to each Wholesale Market Participant in accordance with the default-charges assessment methodology.

The annual true-up and semi-annual true-up calculations as described above, are collectively referred to as the "**standard true-up procedure**."

Optional Interim True-Ups

Pursuant to the debt obligation order, the servicer may also make optional interim true-up adjustments based on under-collections only, in accordance with the standard true-up procedure, at any time if it forecasts that the default charge collections will be insufficient to (i) make all scheduled payments of principal, interest, and other amounts in respect of the 2025 M bonds on a timely basis during the current or next succeeding payment period, or (ii) replenish any draws upon the subaccounts.

Notice of True-Up Adjustments

In accordance with the Servicing Agreement, the Commission must be given at least forty-five (45) days' notice in the case of annual true-ups and semi-annual true-ups and fifteen (15) days' notice prior to the first billing cycle of the month in which the revised default charges will be in effect. In the event of an optional interim true-up adjustment, the servicer shall file a notice with the Commission not less than fifteen (15) days prior to the first billing cycle of the month in which the revised daily default charges will be in effect. The Commission has fifteen (15) days after the date of any true-up filing to confirm that the servicer's true-up adjustment complies with Subchapter M and the debt obligation order. Any true-up adjustment filed with the Commission is effective on its proposed effective date, which will not be less than 15 days after filing. In the event of any necessary correction to a true-up adjustment, such correction will be made in a future true-up adjustment so as not to delay the implementation of the requested true-up adjustment.

There is no cap on the level of default charges that may be imposed as a result of the true-up process. Through the true-up mechanism, which adjusts for under-collections of default charges due to any reason, all Wholesale Market Participants share in the liabilities of all other Wholesale Market Participants for the payment of default charges.

Statutory True-Ups—Credit Risk

The state of Texas has pledged in PURA that it will not take or permit any action that would impair the value of the 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 bonds have been paid and performed in full.

The debt obligation order provides that the true-up mechanisms described above are reasonable and appropriate to ensure the collection of default charges arising from the default property will be sufficient to timely pay principal and interest on the 2025 M Bonds and any other amounts due in connection with the 2025 M Bonds will lower risks associated with the collection of default charges, will result in lower charges on the 2025 M Bonds, will support the financial integrity of the wholesale market, and are necessary to protect the public interest. The debt obligation order further provides that the State Pledge is for the benefit and protection of all financing parties and we are authorized to include this pledge in any documentation related to the 2025 M Bonds. The limitations in the Issuing Entity's organizational documents and management procedures are necessary and appropriate to minimize risks related to the 2025 M Bonds and will serve to minimize risk to the payment of the 2025 M Bonds (i.e., that default charges arising from default property will be sufficient to timely pay principal, interest, and other amounts due in connection with the 2025 M Bonds when due).

Allocation

Under the terms of the debt obligation order, ERCOT will allocate the default charges to each QSE representing one or more other market participants and to each CRRAH based on their activity ratio share in the most recent month for which final settlement data is available on a rolling basis, as described below under "Description of the Default Property—Default Charges."

Servicing Agreement

In the debt obligation order, the Commission authorized ERCOT, as the servicer, to enter into the Servicing Agreement, described under "The Servicing Agreement" in this Offering Memorandum.

Binding on Successors

The debt obligation order is binding on ERCOT, any successor to ERCOT, and any other entity responsible for billing and collecting default charges on our behalf, which must comply with the debt obligation order. A successor means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor or transferor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, division, consolidation, conversion, assignment, sale, transfer, lease, management contract, pledge or other security, by operation of law or otherwise.

DESCRIPTION OF THE DEFAULT PROPERTY

Creation of Default Property; Debt Obligation Order

PURA states that the rights to impose, collect, and receive the default charges approved in the debt obligation order along with the other rights arising pursuant to the debt obligation order will become default property upon the transfer of such rights by ERCOT to us. Default property became property at the time that it was transferred to us or pledged in connection with the issuance of the 2021 M Bonds, although until such time it remained a contract right pursuant to PURA. The 2025 M Bonds, will be secured by the default property, as well as the other collateral described under "Security for the 2025 M Bonds."

In addition to the right to impose, collect and receive default charges, the debt obligation order:

- authorized the transfer of default property to us and the issuance of the 2021 M Bonds and the 2025 M Bonds, as applicable;
- established procedures for true-up adjustments to default charges in the event of over-collection or under-collection;
- implemented guidelines for the servicer to collect default charges; and

- provided that the debt obligation order is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission.

A form of issuance advice letter is attached to the debt obligation order. We will complete and file an issuance advice letter with the Commission immediately after the pricing of the 2025 M Bonds. The issuance advice letter will confirm to the Commission the interest rate and expected amortization schedule for the 2025 M Bonds and set forth the actual dollar amount of the default charges as described above under "ERCOT's Debt Obligation Order—Issuance Advice Letter."

Billing and Collection Terms and Conditions

Default charges will be assessed to all Wholesale Market Participants and collected by the servicer, for our benefit as owner of the default property. Default charges will be allocated to each Wholesale Market Participant based on their activity ratio share in the most recent month for which final settlement data is available on a rolling basis. The amounts assessed and collected by the servicer will be sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the 2025 M Bonds. Default charges will be deposited by the servicer into the collection account under the terms of the Indenture and the Servicing Agreement. The servicer will deposit in the collection accounts payments of default charges on each business day based on estimated collections in accordance with the procedures described below under "The Servicing Agreement—Remittances to Collection Account."

Although theoretical collection risks exist, several structural features under the Servicing Agreement and debt obligation order mitigate this risk. Each Wholesale Market Participant is required to maintain a security deposit with the servicer, subject to its control, in an amount equal to four months of projected default charges. These security deposits serve as a supplemental source of payment for default charges in the event of nonpayment or delinquency. In addition, ERCOT may address payment delinquencies through interim true-up adjustments. Furthermore, if funds in the general subaccount and excess funds subaccount are insufficient to cover scheduled payments of principal and interest on the 2025 M Bonds, the Trustee may draw on the supplemental capital subaccount to make such payments. While these mechanisms are designed to mitigate payment risk, they may not be sufficient to address widespread delinquencies among many Wholesale Market Participants simultaneously. See "Security for the 2025 M Bonds".

Wholesale Market Participants are ultimately responsible for billing, collecting and paying to the servicer the default charges. Each QSE and CRRAH will be responsible for paying default charges, whether or not, in the case of QSEs, the other market participants pay the QSE.

The obligation to pay default charges is not subject to any right of set-off in connection with the bankruptcy of the seller or any other entity. Default charges are "nonbypassable" in accordance with the provisions set forth in Subchapter M and the debt obligation order. In the case of any shortfall in the payment of default charges, ERCOT will draw on any available security deposits as described below under "The Depositor, Seller, Initial Servicer and Sponsor – Billing and Collections."

In practice, repayment of the 2025 M Bonds will likely be funded by other market participants through the QSEs (other than Exempt Customers) who may, but are not required to, recover the default charges from end-use electricity consumers in the ERCOT power region and by CRRAHs. The composition and credit profiles of individual QSEs, CRRAHs and other market participants are not critical for the ERCOT Subchapter M Securitization. As described herein, the mandatory security deposits are designed to mitigate any credit exposures. See "— Credit Enhancements." Furthermore, any unpaid balances of default charges will be charged to the performing Wholesale Market Participants through the true-up mechanism. See "– True-Up Mechanisms for Payment of Scheduled Principal and Interest."

While certain Wholesale Market Participants may from time to time exit the market, numerous other existing and new Wholesale Market Participants have a strong incentive to, and are expected to take advantage of the opportunity to participate in the ERCOT market. For example, each year since 2014, there has been a net increase in the total number of Wholesale Market Participants in the ERCOT Market, as more new Wholesale Market Participants chose to enter the ERCOT market than those that left. Even in 2022, the year following Winter Storm Uri, there was a net growth of 37 Wholesale Market Participants due to new entrants into the ERCOT market. Under the ERCOT Nodal Protocols applicable to the default charges and the 2025 M Bonds, any changes in the composition of the QSEs, CRRAHs or other market participants should, therefore, not affect the collectability of the default charges necessary to pay debt service and other ongoing costs in full. The default charges will continue to be assessed to the Wholesale Market Participants in the ERCOT market throughout the life of the 2025 M Bonds.

ERCOT: THE DEPOSITOR, SELLER, INITIAL SERVICER AND SPONSOR

General

ERCOT will be the depositor, seller and initial servicer of the default property securing the 2025 M Bonds, and will be the sponsor of the securitization in which the 2025 M Bonds covered by this Offering Memorandum are issued.

ERCOT manages the flow of electric power to more than 27 million Texas consumers, representing about ninety percent (90%) of the state's electric load. As the ISO for the region, ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and over 1,250 generation units. It also performs financial settlement for the competitive wholesale bulk-power market in Texas and administers retail switching for approximately 8 million end-user premises in competitive choice areas. ERCOT is a 501(c)(4) nonprofit corporation formed under the laws of Texas, governed by a board of directors and subject to oversight by the Commission and the Legislature. The current chair of the Commission also serves as a nonvoting member of the ERCOT board of directors. ERCOT has members, who do not own any interests in ERCOT, that include consumers, cooperatives, generators, power marketers, retail electric providers, investor-owned electric utilities, transmission and distribution providers and municipally owned electric utilities.

ERCOT is an ISO that acts as the central counterparty for all transactions settled in the ERCOT wholesale electricity market, meaning that ERCOT is the sole seller to each buyer and ERCOT is the sole buyer from each seller. It is essential for ERCOT to maintain revenue neutrality in serving this function. ERCOT is revenue neutral and acts as a clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT power region. In its role as the central counterparty, ERCOT only financially transacts with market participants registered with ERCOT as a Wholesale Market Participant. ERCOT does not take market positions by purchasing or delivering electricity on its own account and is not exposed to such market-making risks. ERCOT does not transact directly with other market participants (other than Wholesale Market Participants).

A QSE is responsible for communicating with ERCOT on behalf of the other market participants it represents. Under the ERCOT Nodal Protocols, the QSE is also responsible for settling payments and charges with ERCOT for the other market participants it represents. A CRR is a financial instrument that results in a charge or a payment to the owner when the ERCOT Transmission Grid is congested in the Day Ahead Market (DAM). CRRs may be used as either a financial hedge or a financial investment. When used as a hedge, a CRR locks in the price of congestion at the purchase price of the CRR. When purchased as an investment, it may be used as a financial tool to speculate whether the congestion rent will be greater than the purchase price.

ERCOT Nodal Protocols

The ERCOT Nodal Protocols outline the procedures and processes used by ERCOT and market participants for the orderly functioning of the ERCOT System and nodal market. The ERCOT Nodal Protocols relevant to the collection of default charges from Wholesale Market Participants are incorporated by reference into the Servicing Agreement. Through collaborative efforts with market participants, ERCOT developed the ERCOT Nodal Protocols which contain scheduling, operating, planning reliability, and settlement policies, rules, guidelines, procedures, standards and criteria of ERCOT. One purpose of the ERCOT Nodal Protocols is to implement ERCOT's function as the independent organization for the ERCOT power region. An independent organization, or ISO, is (i) an entity supervising the collective transmission facilities of a power region that is charged with non-discriminatory coordination of market transactions, systemwide transmission planning, and network reliability, or (ii) another person that is sufficiently independent of any producer or seller of electricity that its decisions will not be unduly influenced by any producer or seller of electricity. Procedures contained in the ERCOT Nodal Protocols are initially approved by the Commission, and subject to continuing oversight and review by the Commission.

Servicing Experience

In November 2021, ERCOT sponsored and has since acted as servicer for the Texas Stabilization M Bonds, Series 2021, issued by Texas Funding M in the original principal amount of $800,000,000. In June 2022, ERCOT sponsored and has since acted as servicer for the Texas Stabilization N Bonds, Series 2022, issued by Texas Electric Market Stabilization Funding N LLC in the original principal amount of $2.115 billion. While the servicer has limited other experience acting as a servicer in circumstances similar to the 2025 M Bonds and default property, ERCOT's responsibilities and activities in carrying out its own business are substantially similar to those to be provided under the Servicing Agreement.

Please read "Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022." ERCOT services the Texas Stabilization N Bonds in accordance with servicing standards that are substantially similar to those set forth in ERCOT's Servicing Agreement with us.

QSEs

ERCOT interacts with the market through QSEs for almost all operational purposes. QSEs enter all trades, offers and bids into ERCOT market systems and then financially settle directly with ERCOT for all electricity that is bought and sold in the market.

Currently, to become and remain a QSE, an entity must meet the following requirements established by ERCOT's Nodal Protocols:

(a) Submit a properly completed QSE application for qualification, including any applicable fee, necessary disclosures, and designation of authorized representatives, each of whom is responsible for administrative communications with the QSE and each of whom has enough authority to commit and bind the QSE and the entities it represents;

(b) Comply with ERCOT's background check process;

(c) Sign a standard-form market participant agreement;

(d) Sign any required agreements relating to use of the ERCOT network, software, and systems;

(e) Demonstrate to ERCOT's reasonable satisfaction that the entity is capable of performing the functions of a QSE and does not pose an "Unreasonable Financial Risk", as described below;

(f) Demonstrate to ERCOT's reasonable satisfaction that the entity is capable of complying with the requirements of all ERCOT Nodal Protocols and operating guides;

(g) Satisfy ERCOT's creditworthiness and capitalization requirements as set forth in the ERCOT Nodal Protocols, unless exempted;

(h) Be generally able to pay its debts as they come due. ERCOT may request evidence of compliance with this qualification only if ERCOT reasonably believes that a QSE is failing to comply with it;

(i) Provide all necessary bank account information and arrange for Fedwire system transfers for two-way confirmation;

(j) Be financially responsible for payment of settlement charges for those entities it represents under the ERCOT Nodal Protocols;

(k) Comply with the backup plan requirements in the operating guides;

(l) Maintain a 24-hour, seven-day-per-week scheduling center with qualified personnel for the purposes of communicating with ERCOT relating to Day-Ahead and Operating Day exchange of market and operational obligations in representing Load, Resources, and market positions. Those personnel must be responsible for operational communications and must have sufficient authority to commit and bind the QSE and the entities that it represents;

(m) Demonstrate and maintain a working functional interface with all required ERCOT computer systems; and

(n) Allow ERCOT, upon reasonable notice, to conduct a site visit to verify information provided by the QSE.

Additionally, a QSE applicant must be able to demonstrate to ERCOT's reasonable satisfaction that none of its principals were or are principals of any entity with an outstanding payment obligation that remains owing to ERCOT under any agreement or the ERCOT Nodal Protocols. Continued qualification as a QSE is contingent upon compliance with all applicable requirements in the ERCOT Nodal Protocols. ERCOT may suspend a QSE's rights as a market participant when ERCOT reasonably determines that it is an appropriate remedy for the entity's failure to satisfy any applicable requirement.

An Unreasonable Financial Risk as used in the ERCOT Nodal Protocols, means a risk of financial default posed to ERCOT or its other market participants by participation of an entity or its principals in the ERCOT market. Indicators of Unreasonable Financial Risk may include, but are not limited to: past market manipulation, trading violations, or other finance-related violations based upon a final adjudication in state or federal regulatory or legal proceedings; financial defaults in ERCOT or other energy markets resulting in losses or charges; indications of imminent bankruptcy or insolvency, or other past civil judgement or criminal conviction that reflects problematic behavior on the part of the entity or its principals.

Under the ERCOT Nodal Protocols, every QSE is responsible for financially settling all payments and charges with ERCOT for the other market participants it represents. ERCOT, as the servicer, will assess default charges to each QSE based on its activity ratio share. The activity ratio share used to allocate default charges to QSEs will be based on the most recent month for which final settlement data is available on a rolling basis. The methodology to be utilized by the servicer for the assessment of default charges is referenced in the debt obligation order as the default-charges assessment methodology and is set forth immediately below:

(a) The servicer will determine the periodic billing requirement that must be billed for any given period. The periodic billing requirement will be updated at least annually, and on an interim basis from time to time in accordance with the true-up procedures described in the debt obligation order.

(b) The servicer will amortize the periodic billing requirement monthly for the given period. This amount is referenced in the debt obligation order as the monthly amortization amount.

(c) The servicer will assess the monthly amortization amount to each QSE as a monthly charge, based upon its activity ratio share in the most recent month for which final settlement data is available on a rolling basis.

Neither ERCOT nor any successor servicer will pay any shortfalls resulting from the failure of any QSE to remit payments arising from the default charges to the servicer. The true-up mechanism for the default charges, as well as the amounts deposited in the supplemental capital subaccount, are intended to mitigate the risk of shortfalls. Any shortfalls that occur may delay the distribution of interest on and principal of the 2025 M Bonds.

CRRAHs

A Congestion Revenue Right (CRR) is a financial instrument that entitles the CRRAH to be charged or to receive compensation for congestion rents that arise when the ERCOT transmission grid is congested in the Day-Ahead Market (DAM) or in Real-Time. CRRs do not represent a right to receive, or obligation to deliver, physical energy. CRRs are intended to hedge the congestion cost risk associated with energy transactions in the DAM. ERCOT administers the CRR market and directly interacts with CRRAHs in the registration, auction, and settlement processes.

Most CRRs are tradable in the CRR Auction, in the DAM, or bilaterally. CRRs may be acquired as follows:

(a) CRR auctions – These are periodic auctions conducted by ERCOT to allow eligible CRRAHs to acquire CRRs. These auctions also allow CRRAHs an opportunity to sell CRRs that they hold.

(b) Pre-Assigned Congestion Revenue Rights Allocations – ERCOT allocates CRRs to eligible Municipally Owned Utilities and Electric Cooperatives.

(c) Bilateral Market – CRRAHs may trade point-to-point (PTP) options and PTP obligations bilaterally. Bilateral trading may be done privately or through ERCOT. ERCOT facilitates trading on the market information system (MIS) certified area of existing CRRs between CRRAHs. ERCOT settles CRRs with the CRRAH shown on ERCOT records.

(d) DAM – QSEs may bid for PTP obligations in the DAM.

To become and remain a CRRAH, an entity must meet the following requirements established by ERCOT's Nodal Protocols:

(a) Submit a properly completed CRRAH application for qualification, including any applicable fee, necessary disclosures, and designation of authorized representatives, each of whom is responsible for administrative communications with the CRRAH and each of whom has enough authority to commit and bind the CRRAH;

(b) Comply with ERCOT's background check process;

(c) Demonstrate to ERCOT's reasonable satisfaction that the entity does not pose an Unreasonable Financial Risk;

(d) Sign a CRRAH Agreement;

(e) Sign any required agreements relating to use of the ERCOT network, software, and systems;

(f) Demonstrate to ERCOT's reasonable satisfaction that the entity is capable of performing the functions of a CRRAH;

(g) Demonstrate to ERCOT's reasonable satisfaction that the entity is capable of complying with the requirements of all ERCOT Nodal Protocols and operating guides;

(h) Satisfy ERCOT's creditworthiness requirements as set forth in the ERCOT Nodal Protocols;

(i) Be generally able to pay its debts as they come due. ERCOT may request evidence of compliance with this qualification only if ERCOT reasonably believes that a CRRAH is failing to comply with it;

(j) Provide all necessary bank account information and arrange for Fedwire system transfers for two-way confirmation;

(k) Be financially responsible for payment of settlement charges for those entities it represents under the ERCOT Nodal Protocols; and

(l) Not be an unbundled transmission service provider, distribution service provider (DSP), or an ERCOT employee.

Additionally, a CRRAH applicant must be able to demonstrate to ERCOT's reasonable satisfaction that none of its principals were or are principals of any entity with an outstanding payment obligation that remains owing to ERCOT under any agreement or the ERCOT Nodal Protocols. Continued qualification as a CRRAH is contingent upon compliance with all applicable requirements in the ERCOT Nodal Protocols. ERCOT may suspend a CRRAH's rights as a market participant when ERCOT reasonably determines that it is an appropriate remedy for the entity's failure to satisfy any applicable requirement.

Under the ERCOT Nodal Protocols, every CRRAH is responsible for financially settling all applicable payments and charges with ERCOT related to the CRRs it holds or held. ERCOT, as the servicer, will assess default charges to each CRRAH based on its activity ratio share. The activity ratio share used to allocate default charges to CRRAHs will be based on the most recent month for which final settlement data is available on a rolling basis. The methodology to be utilized by the servicer for the assessment of default charges is referenced in the debt obligation order as the default-charges assessment methodology and is set forth immediately below:

(a) The servicer will determine the periodic billing requirement that must be billed for any given period. The periodic billing requirement will be updated at least annually, and on an interim basis from time to time in accordance with the true-up procedures described in the debt obligation order.

(b) The servicer will amortize the periodic billing requirement monthly for the given period. This amount is referenced in the debt obligation order as the monthly amortization amount.

(c) The servicer will assess the monthly amortization amount to each CRRAH as a monthly charge, based upon its activity ratio share in the most recent month for which final settlement data is available on a rolling basis.

Neither ERCOT nor any successor servicer will pay any shortfalls resulting from the failure of any CRRAH to remit payments arising from the default charges to the servicer. The true-up mechanism for the default charges, as well as the amounts deposited in the supplemental capital subaccount, are intended to mitigate the risk of shortfalls. Any shortfalls that occur may delay the distribution of interest on and principal of the 2025 M Bonds.

Other Market Participants

For purposes of this Offering Memorandum, "**other market participants**" refers to those entities that operate in the ERCOT market other than QSEs or CRRAHs and are required under the ERCOT Nodal Protocols to be represented by a QSE. Each such participant is solely responsible for selecting and maintaining a QSE (other than the Exempt Customers) to act on its behalf. These market participants primarily include:

1. Load Serving Entities (LSEs) – LSEs provide electric service to customers and wholesale customers in the ERCOT market. LSEs include Non-Opt-In Entities that serve Load, Competitive Retailers (which includes Retail Electric Providers)), and External Load Serving Entities.

2. Resource Entities (REs) – REs own or control energy-producing or controllable resources, such as power plants, batteries, solar farms, or demand response units to the ERCOT market.

ERCOT's Historical Maximum Market Activity Levels

The below charts summarize ERCOT's historical Maximum Market Activity Levels on an annual and monthly average basis over the past 7 years.

Annual Total Maximum Market Activity Level for Wholesale Market Participants (TWh): 2018-2024

2018	2019	2020	2021	2022	2023	2024	Total
TWh	TWh	TWh	TWh	TWh	TWh	TWh	TWh
2,304.82	2,608.01	2,572.56	2,479.76	2,469.91	2,690.64	2,991.40	13,204.27

Since 2018, ERCOT's total annual Maximum Market Activity Level has increased steadily by 29.79% with relatively little variance. The annual minimum is 89.05% of the annual average since 2018.

Monthly Average Maximum Market Activity Level for Wholesale Market Participants (TWh): 2018-2024

	January	February	March	April	May	June
	TWh	TWh	TWh	TWh	TWh	TWh
Wholesale Maximum Market Activity	1,501.55	1,397.32	1,412.66	1,398.28	1,454.51	1,505.71
Wholesale Maximum Market Activity Average Index	99.46%	92.55%	93.57%	92.62%	96.34%	99.73%

	July	August	September	October	November	December
	TWh	TWh	TWh	TWh	TWh	TWh
Wholesale Maximum Market Activity	1,612.36	1,650.58	1,601.11	1,555.01	1,492.55	1,535.48
Wholesale Maximum Market Activity Average Index	106.80%	109.33%	106.05%	103.00%	98.86%	101.70%

TWh = Tera watt hour. TWh = 1,000,000,000,000 watt hour.
(1) Average is reflective of 2018-2024 data.
(2) Source: ERCOT internal data

While there are variances between months due to weather impact, the pattern of seasonality in the Maximum Market Activity Level is relatively constant with elevated consumption in the June to September period.

The impact of seasonality on the default charges (a fixed amount to be allocated across the actual Maximum Activity Level) means that the monthly average of default charges of wholesale market participants will range from 92.55% (February) to 109.33% (August) of the annual average between 2018 and 2024 on a TWh basis.

As shown above, the default charges as a percentage of overall market activity settlement amount will fluctuate with the seasonality trends shown above. In months where there is lower Maximum Market Activity, the default charges will be a higher portion of the overall market activity settlement amount (i.e. February). Conversely, in months where there is higher Maximum Market Activity, the default charges will be a lower portion of the overall market activity settlement amount (i.e. August).

Estimated Financial Impact on Wholesale Market Participants from Default Charges on a Monthly Basis:

The chart below provides an estimate of the monthly default charges as a percentage of the Estimated Monthly Adjusted Meter Load Value.

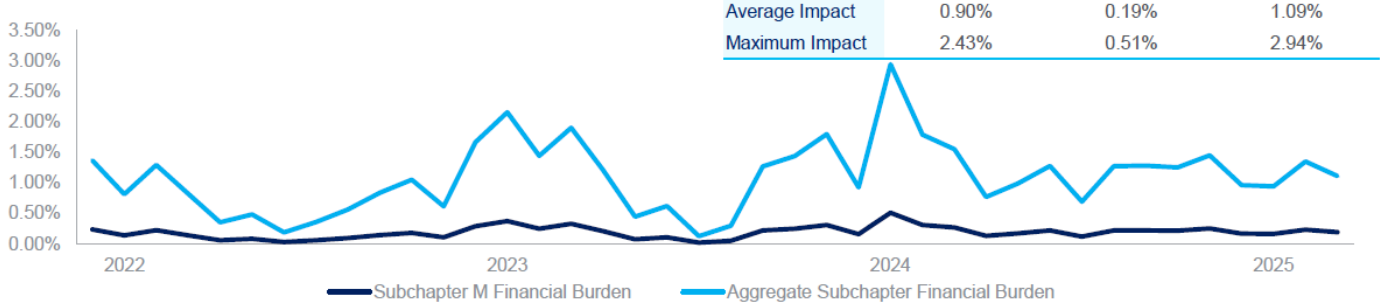
Given the multiplicity of different charges ERCOT assesses on Wholesale Market Participants, it is difficult to precisely determine the overall value of loads delivered to Wholesale Market Participants. Instead, the Estimated Monthly Adjusted Meter Load Value was estimated by multiplying the actual Adjusted Meter Load delivered to the Wholesale Market Participants on a monthly basis by the monthly ERCOT-wide Average Energy Prices Real Time prices per MWh as published by Potomac Economics, Ltd., the independent market monitor for the ERCOT power region.

When comparing the Estimated Monthly Adjusted Meter Load Value to the estimated aggregate default charges (reflecting both debt service as well as ongoing qualifying costs), the estimated financial impact on Wholesale Market Participants from the default charges can be determined.

The estimated impact on Wholesale Market Participants from charges resulting from both the Subchapter M and Subchapter N securitizations is illustrated below.

Estimated Financial Impact on Wholesale Market Participants from Charges on a Monthly Basis: 2022 – 2025[1]

(2022-2025)	Subchapter N	Subchapter M	Aggregate
Average Impact	0.90%	0.19%	1.09%
Maximum Impact	2.43%	0.51%	2.94%



(1) This estimated impact is based on what charges would have been allocated to Wholesale Market Participants had the Subchapter M and N securitizations been in place during this period.

If the financial impact on the average electric customer in Texas were to be estimated, it is important to also consider the non-energy charges of the bill (e.g. base charges, delivery charges, taxes, etc.). Some estimates suggest that the delivery charge can account for 30% to 40% of the average customer bill. Said differently, an average financial impact on the Wholesale Market Participants from Subchapter M of 0.19% could be approximately 0.13% for the average end customer.

An alternative way of estimating the financial impact of the Wholesale Market Participants would involve a comparison of the monthly default charges to the monthly non-default charges billed by ERCOT to the Wholesale Market Participants. This methodology suggests a financial impact over the period 2022 – 2025 YTD of approx. 0.25%, i.e. slightly higher than the methodology summarized above.

Wholesale Market Participant Historical Default Experience

Prior to the Winter Storm Uri in 2021, the need to assess default balances to other market participants had been very limited in terms of both number of occurrences and amounts. The below table summarizes these occurrences since ERCOT changed to a Nodal Protocol market back in 2010.

	Year	Counter-Party	Default Amount ($000s)	Approx. ESIIDs[1]	Notes[2]
Nodal Market	**2011**	Abacus	$616	7,834	Acquisition
		Chain Lakes Energy DBA Simple	$-	14,973	Acquisition
	2012	TexRep1 LLC dba EPCOT / EPCOT LLC	$7	5,738	Mass Transition
		Green Line / TexRep 7	$-	1	Mass Transition
	2014	Reach Energy	$-	11	Mass Transition
		Proton Energy	$-	629	Mass Transition
	2016	Trusmart	$-	1,851	Acquisition
		Glacial	$-	3,083	Acquisition
	2018	Breeze LLC	$-	10,857	Mass Transition
	2020	Agera	$-	23	Acquisition
	2021	Entrust Energy Inc.	$-	11,653	Mass Transition
		Power of Texas Holdings Inc.	$-	3	Mass Transition
		Griddy Energy LLC	$-	9,887	Mass Transition
		Volt Electricity Provider LP	$-	14,610	Acquisition
		Brilliant Energy LLC	$-	8,524	Acquisition

(1) ESIIDs = Electronic Service Identifier.

(2) "Acquisitions" are the voluntary acquisition/transfer of a defaulting LSEs customers to another LSE in the ERCOT market. "Mass Transitions" are the involuntary transfer of a defaulting LSE's customers to other LSEs that have been designated as Providers of Last Resort (POLR) by the Public Utility Commission of Texas (PUCT).

The limited pre-2021 amounts described above reflects ERCOT's solid policies and procedures (appropriately setting collateral requirements) as well as the efficiency of market mechanics (i.e., acquisitions).

Unpaid Invoices following 2021 Winter Storm

Winter Storm Uri in 2021 resulted in a number of market participants experiencing financial difficulties and, therefore, resulted in a number of failures to settle invoices in accordance with ERCOT requirements. Of particular significance were the failure to pay invoices by Entrust Energy, Brazos Electric Power Co-op, or **Brazos**, and Rayburn County Electric Co-op. The majority of these unpaid invoices have now been settled with proceeds from the 2021 M Bonds securitization or, in the case of Rayburn County Electric Co-op, proceeds from a securitization authorized under Senate Bill 1580 relating to the use of securitization by electric cooperatives to address certain weather-related extraordinary costs and expenses and to the duty of electric utility market participants to pay certain amounts owed, passed during the 87th Texas legislative session (**SB 1580**).

ERCOT Credit Practices, Policies and Procedures

Billing and collection standards set forth in the debt obligation order are imposed on all Wholesale Market Participants with respect to default charges. The standards relate only to the billing and collection of default charges authorized under the debt obligation order, and do not apply to collection of any other nonbypassable charges or other charges.

The following subsections summarize the Wholesale Market Participant standards required under the debt obligation order and ERCOT Nodal Protocols.

Deposit and Related Requirements.

As a form of security, each Wholesale Market Participant is required to maintain a security deposit with us subject to control by the servicer, an amount equal to four (4) months of projected default charge calculated pursuant to the Servicing Agreement. The security deposits are intended to serve as a supplemental source of payment of default charges on behalf of Wholesale Market Participants, to the extent necessary to account for unpaid or delinquent default charges. The deposits are to be held in accounts by the Issuing Entity and managed by the servicer, pursuant to the Servicing Agreement, and are structured to be legally isolated from servicer bankruptcy risk. Security deposits consist of either a cash deposit amount or an unconditional, irrevocable letter of credit naming the Issuing Entity as the beneficiary posted as a source of payment of default charges by Wholesale Market Participants. If the amount of the security deposit held for a particular Wholesale Market Participant is insufficient to cover the responsible Wholesale Market Participant's payment shortfall the servicer may utilize any other financial security held with respect to other ERCOT market activities, except for financial security held for uplift charges securing the Texas Stabilization N Bonds.

Interest on cash security deposits will be calculated based on each Wholesale Market Participant's cash collateral balance. Once per year, the servicer will return interest earned on a Wholesale Market Participant's cash security deposit.

The servicer will monitor security deposits and promptly notify each Wholesale Market Participant of the need to increase its security deposit. Any Wholesale Market Participant failing to maintain compliance with security deposit requirements may have its rights under ERCOT Nodal Protocols suspended until it meets the security deposit requirements. If at any time a Wholesale Market Participant does not maintain a security deposit in accordance with ERCOT Nodal Protocols, then the Wholesale Market Participant may be considered in breach of its agreements with ERCOT and ERCOT may suspend or terminate such Wholesale Market Participant's rights under the ERCOT Nodal Protocols if such Wholesale Market Participant fails to cure the breach within the time required by the ERCOT Nodal Protocols. ERCOT's failure to suspend or terminate a Wholesale Market Participant on any particular occasion of a breach does not prevent ERCOT from suspending or terminating such Wholesale Market Participant's rights on any subsequent occasion.

Computation of Deposit, etc.

Each Wholesale Market Participant is required to maintain a security deposit equal to four (4) months of projected default charges. Any Wholesale Market Participant that enters the market after the issuance of the debt obligation order will be required to provide an estimated security deposit. ERCOT shall monitor the creditworthiness of each Wholesale Market Participant and its credit exposure and will promptly notify each applicable Wholesale Market Participant of the need to increase their security deposit. Each Wholesale Market Participant is responsible for maintaining a security deposit equal to four (4) months of projected default charges owed by such Wholesale Market Participant. Upon notice by ERCOT of the amount by which a Wholesale Market Participant's security deposit must be increased, such Wholesale Market Participant has until 3:00pm on the second bank business day from the date ERCOT delivered the notice to increase its security deposit if the notice is delivered prior to 3:00pm. If ERCOT delivers the notice after 3:00pm, but before 5:00pm, such Wholesale Market Participant has until 5:00pm on the second bank business day from the date on which ERCOT delivered the notice to increase its security deposit. A Wholesale Market Participant failing to so remit any such shortfall is required to comply with the provisions set forth below under "Remedies Upon Default." Wholesale Market Participant cash deposits will be held by the Issuing Entity in a security deposit account managed by the servicer and may only be invested in eligible investments.

Billing and Collections

Because ERCOT financially transacts with only Wholesale Market Participants, ERCOT, as the servicer of the 2025 M Bonds, will invoice and collect payments for the default charges from Wholesale Market Participants. In accordance with ERCOT's Nodal Protocols, Wholesale Market Participants are financially responsible for the payment of default charges, regardless of whether or not, in the case of a QSE, a QSE receives payments from other market participants it represents for the default charges. As a result, the servicer will not pay any shortfalls resulting from the failure of any Wholesale Market Participant to pay default charge collections. Please read "ERCOT—Credit Practices, Policies and Procedures."

Billing.

ERCOT will allocate to Wholesale Market Participants their portion of the default charges that are to be collected for the most recent month for which final settlement data is available. The default charges invoices will be prepared based on the Activity Ratio Share of each Wholesale Market Participant. ERCOT will issue default charges invoices on the seventh bank business day of every month. Each default charges invoice payment is due by 5:00pm on the fifth bank business day after the default charges invoice date, regardless of whether there is a dispute regarding the default charges invoice. A bank business day is a day during which the United States Federal Reserve Bank of New York is open for normal business activity. If, however, the fifth bank business day is not also a business day defined in the ERCOT Nodal Protocols, then the payment is due by 5:00pm on the next bank business day after the fifth bank business day that is also a business day defined in the ERCOT Nodal Protocols. All disputes regarding the default charges invoices shall follow the process described in ERCOT Nodal Protocols. The default charges invoices are separate and distinct from other invoices issued by ERCOT. A Wholesale Market Participant that receives a default charges invoice from the servicer may not net amounts owing on a default charges invoice with any other funds due to or from ERCOT.

Collection of Default Charges.

On a monthly basis, the servicer will invoice each Wholesale Market Participant for default charges owed. The payment due date and time for the payment of the default charges is 5:00pm on the fifth bank business day after the default charges invoice date, unless the fifth bank business day is not a business day. If the fifth bank business day is not a business day, the payment is due by 5:00pm on the next bank business day after the fifth bank business day that is also a business day. The servicer will accept payment in U.S. Dollars by electronic funds transfer in immediately available or good funds (i.e. not subject to reversal). A Wholesale Market Participant in default is required to comply with the provisions set forth below under "—Remedies Upon Default."

Payments of default charges invoices must be made to the Issuing Entity's account designated on the default charges invoice. If payment is made to a different account, the payment will be rejected and the failure to remit funds to the correct account may result in a payment breach under ERCOT Nodal Protocols. If a Wholesale Market Participant does not pay the default charges invoice when due, the servicer will draw on such Wholesale Market Participant's security deposit to pay the amount due. If the security deposit is insufficient to fully pay the default charges invoice, the servicer may draw upon any other financial security held with respect to other ERCOT market activities, except for any financial security held for uplift charges securing the Texas Stabilization N Bonds.

A draw on a Wholesale Market Participant's security deposit shall be considered a late payment. In the event ERCOT cannot fully recover amounts due under a default charges invoice after drawing on available escrow deposits and taking other actions authorized under the ERCOT Nodal Protocols, this will be reflected in the next re-estimation of the monthly default charges calculation.

Remedies Upon Default.

In the event of a payment breach or late payment by a Wholesale Market Participant (whether for default charges or the security deposit), all remedies specified in Section 16.11.4.7 Credit Monitoring and Management Reports, and Section 26, Securitization Default Charges, of the ERCOT Nodal Protocols are applicable and are incorporated by reference in the Servicing Agreement, as applicable. The servicer will have the option to seek recourse against any security deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof provided by the applicable Wholesale Market Participant, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid default charges and associated penalties due the servicer after the application of such Wholesale Market Participant's security deposit except for any financial security held for uplift charges securing Texas Stabilization N Bonds.

In accordance with ERCOT Nodal Protocols, it is the sole responsibility of each Wholesale Market Participant to ensure that the full amounts due to ERCOT are paid by the applicable date and time. The failure of a Wholesale Market Participant to pay when due any payment or financial security obligation (including security deposits) owed to ERCOT constitutes an event of "payment breach." The failure of a Wholesale Market Participant to pay when due any payment or financial security obligation owed to ERCOT, including default charges and security deposits owed by such Wholesale Market Participant to ERCOT as servicer, constitutes an event of "payment breach" under the ERCOT Nodal Protocols and ERCOT market participant agreement.

Upon a payment breach, ERCOT, as servicer, will immediately attempt to contact the Wholesale Market Participant or its designee telephonically to inform the Wholesale Market Participant of the payment breach and demand payment of the past due amount. ERCOT will also provide the market participant with written notice of the payment breach. Upon a payment breach, ERCOT may impose remedies for payment breach, as set forth in ERCOT Nodal Protocols, in addition to any other rights or remedies ERCOT has under any agreement or at common law. For payment breaches in relation to the default charges, the servicer will first utilize any available security deposit to cover unpaid default charges, but may also utilize financial security held for any other market activity by the Wholesale Market Participant, except for any financial security held for uplift charges securing the Texas Stabilization N Bonds.

If a Wholesale Market Participant fails to timely pay default charges or security deposits, ERCOT is not required to make any payments to such Wholesale Market Participant unless and until such Wholesale Market Participant cures the payment breach by paying in full all past due amounts. The payments that ERCOT will not make include invoice receipts, reimbursements for short payments, and any other reimbursements or credits under any and all other agreements between ERCOT and the Wholesale Market Participant. ERCOT will retain all such amounts, and may apply all withheld funds toward the payment of any delinquent amounts, until the Wholesale Market Participant has fully paid all amounts owed to ERCOT under any agreements and the ERCOT Nodal Protocols, including all amounts owed for default charges and security deposits.

If a Wholesale Market Participant commits a payment breach by failing to timely pay default charges or security deposits, ERCOT may revoke a breaching Wholesale Market Participant's rights to conduct activities under the ERCOT Nodal Protocols and terminate the breaching Wholesale Market Participant's agreements with ERCOT. After revocation of a Wholesale Market Participant's rights under the ERCOT Nodal Protocols or termination of agreements with ERCOT, the Wholesale Market Participant will remain liable for all charges or costs associated with any continued activity related to the Wholesale Market Participant's relationship with ERCOT and any expenses arising from the termination or revocation. Upon termination of the Wholesale Market Participant's rights or agreements, all amounts owed to ERCOT become accelerated and due immediately.

Disputes.

If a Wholesale Market Participant disputes any amount of billed default charges, the Wholesale Market Participant must pay ERCOT, as the servicer, the disputed amount in full in accordance with the ERCOT Nodal Protocols and follow the settlement and billing dispute process set forth in the ERCOT Nodal Protocols, which are incorporated by reference into the Servicing Agreement.

Wholesale Market Participants are responsible for reviewing invoices for default charges to verify the accuracy of data used to produce them. If a Wholesale Market Participant wishes to dispute items or calculations, the dispute must be submitted electronically through ERCOT's dispute tool. The dispute must be submitted within ten business days of the date ERCOT posted the related invoice. If the Wholesale Market Participant does not dispute a default charges invoice within ten business days, the invoice is deemed to have been validated by the Wholesale Market Participant and ERCOT will reject any late filed disputes. ERCOT will notify the Wholesale Market Participant of any additional information needed to resolve the dispute and will make all reasonable attempts to resolve any disputes within fifteen business days. In the event the dispute requires complex research or additional time for resolution, ERCOT will notify the Wholesale Market Participant of the expected time needed to resolve the dispute.

If the dispute is unable to be resolved, the Wholesale Market Participant has the right to proceed to alternative dispute resolution as outlined in the ERCOT Nodal Protocols. The ERCOT Nodal Protocols define the procedures for alternative dispute resolution. Each party to the dispute is responsible for its own costs incurred in any alternative dispute resolution proceeding. If an agreement regarding the dispute cannot be reached, any of the parties to the dispute may apply for relief to the Public Utility Commission of Texas (Commission). The alternative dispute resolution procedures outlined in the ERCOT Nodal Protocols do not limit or restrict the right of a market participant to file a petition seeking direct relief from the Commission of other governmental authority where actual or threatened action by ERCOT or a market participant could cause irreparable harm that cannot be addressed within the time permitted under the alternative dispute resolution process.

Sovereign Immunity.

In a recent decision, the Texas Supreme Court held that ERCOT is a governmental unit of the State of Texas and, as such, ERCOT is entitled to sovereign immunity under Texas law. Texas courts have held that neither the State nor any governmental unit thereof may be sued under Texas law without consent, and then only in the manner indicated by that consent or as discussed below.

The Texas sovereign immunity doctrine includes two distinct principles: immunity from suit and immunity from liability. Texas courts have held that when the State, or a governmental unit thereof, enters into a contract with a private party, it waives immunity from liability but not immunity from suit. Immunity from suit deprives a court of subject matter jurisdiction, and can be waived only by the State legislature, either by statute or by special resolution. Thus, while ERCOT has agreed to indemnify the Issuing Entity and other parties in limited circumstances, insofar as the Legislature has not waived ERCOT's sovereign immunity by statute or special resolution in connection with the basic documents here, ERCOT may be immune from suit.

As such, remedies may be limited to the filing of mandamus proceedings to compel ERCOT, its board of directors, officers and employees to perform under any such mandamus order. The remedy of mandamus, however, is (i) available only if the covenants and obligations to be enforced are not uncertain or disputed and (ii) controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. In any event, the remedies available also would depend in many respects upon judicial actions which are often subject to discretion and delay.

Accordingly, if the contractual obligations to indemnify are not honored by ERCOT, parties entitled to indemnification under the basic documents should anticipate that seeking a Writ of Mandamus to compel ERCOT, its board of directors, officers and employees to perform their indemnification obligations likely will be their only available course of action. No assurance can be given, however, that a mandamus or other legal action would be successful.

Where to Find Information About ERCOT.

ERCOT posts information on its website at https://www.ercot.com. No information contained on that website constitutes part of this Offering Memorandum related to the 2025 M Bonds.

TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC, THE ISSUING ENTITY

We are a special purpose limited liability company formed under the Delaware Limited Liability Company Act by the filing of a certificate of formation with the Secretary of the State of Delaware, and we are governed by a limited liability company agreement, or LLC Agreement, executed by our sole member, ERCOT. The LLC Agreement was amended and restated on November 12, 2021, and references in this Offering Memorandum to our LLC Agreement mean the amended and restated agreement. Our LLC Agreement restricts us from engaging in activities other than those described in this

section. We do not have any employees, but we will pay our member for out-of-pocket expenses incurred by the member in connection with its services to us in accordance with our limited liability company agreement. We have summarized selected provisions of our LLC Agreement below, a copy of which has been filed with the Trustee. See “Where Prospective Investors Can Fund More Information” in this Offering Memorandum. At closing, the supplemental capital subaccount will be equal to 0.50% of the aggregate original principal amount of the 2025 M Bonds, which will be an amount that will allow us to achieve the desired credit rating on the 2025 M Bonds.

As of the date of this Offering Memorandum, our only business activities have been related to the issuance of the 2021 M Bonds, the partial repayment of the same and activities related thereto and in connection therewith and our activities relating to this offering. We are not an agency or instrumentality of the state of Texas but are responsible to the state of Texas and the Commission as described below under the caption “—Our Relationship with the Commission.”

Our assets consist of:

- the default property,
- our rights under the Sale Agreement and the Administration Agreement, and the Bill of Sale delivered by ERCOT pursuant to the Sale Agreement,
- our rights under the Servicing Agreement, and any subservicing, agency, administration, intercreditor or collection agreements executed in connection with such Servicing Agreement,
- the collection account and all subaccounts of such collection account,
- our rights in all deposits, guarantees, surety bonds, letters of credit and other forms of credit support provided by or on behalf of Wholesale Market Participants pursuant to the debt obligation order,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing.

The Indenture provides that the default property, as well as our other assets, including the supplemental capital subaccount, will be pledged by us to the Trustee to secure our obligations in respect of the 2025 M Bonds**.** Pursuant to the Indenture, the collected default charges remitted to the Trustee by the servicer must be used to pay principal and interest on the 2025 M Bonds and our other obligations specified in the Indenture.

Restricted Purpose

We were created for the sole purpose of:

- purchasing, owning, administering and servicing the default property and any other collateral;
- issuing the 2021 M Bonds and the 2025 M Bonds;
- making payments on the 2021 M Bonds and the 2025 M Bonds;
- distributing amounts released to us;
- managing, selling, assigning, pledging, collecting amounts due on, or otherwise dealing with the default property and the other collateral for the 2021 M Bonds and 2025 M Bonds, respectively, and related assets;
- negotiating, executing, assuming and performing our obligations under the basic documents;
- pledging our interest in the default property and other collateral to an indenture trustee under one or more indentures and one or more series supplements and the Trustee under the Indenture in order to secure the 2021 M Bonds and the 2025 M Bonds, respectively; and

- performing other activities that are necessary, suitable or convenient to accomplish these purposes.

Our LLC Agreement does not permit us to engage in any activities not directly related to these purposes, including issuing securities (other than the 2021 M Bonds and the 2025 M Bonds), borrowing money or making loans to other persons. The list of permitted activities set forth in our LLC Agreement may not be altered, amended or repealed without the affirmative vote of a majority of our managers, which vote must include the affirmative vote of our Independent Managers. Our LLC Agreement and the Indenture will prohibit us from issuing any bonds other than the 2021 M Bonds and the 2025 M Bonds that we will offer pursuant to this Offering Memorandum.

Our Relationship with ERCOT

On the issue date for the 2021 M Bonds, ERCOT sold the default property to us pursuant to the Sale Agreement. ERCOT has serviced the default property pursuant to the Servicing Agreement between us and ERCOT with respect to the 2021 M Bonds, and will service the default property pursuant to the Servicing Agreement with respect to the 2025 M Bonds and is providing and will provide administrative services to us pursuant to an Administration Agreement between ERCOT and us.

Our Relationship with the Commission

Pursuant to the debt obligation order,

- the Commission or its designated representative has a decision-making role co-equal with ERCOT with respect to the structuring and pricing of the 2025 M Bonds and all matters related to the structuring and pricing of the 2025 M Bonds will be determined through a joint decision of ERCOT and the Commission or its designated representative,

- ERCOT is directed to take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information to allow the Commission or its designated representative to fully participate in, and exercise its decision-making power over, the proposed securitization, and

- the servicer will file periodic true-ups to default charges with the Commission on our behalf.

We have also agreed that certain reports concerning default charge collections will be provided to the Commission.

Our Management

Pursuant to our limited liability company agreement, our business is presently managed by five managers, of whom at least two are Independent Managers, in each case appointed from time to time by ERCOT or, in the event that ERCOT transfers its interest in us, appointed by our then owner or owners. Following the initial issuance of the 2021 M Bonds, we have had at least two Independent Managers, each of whom, among other things, (1) is an individual who has prior experience as an independent director, Independent Manager or independent member for special-purpose entities, (2) is employed by a nationally-recognized company that provides professional Independent Managers and other corporate services, (3) was duly appointed as an Independent Manager and (4) is not and has not been for at least five (5) years from the date of his or her appointment, and while serving as an Independent Manager will not be, any of the following:

- a member, partner, or equity holder, officer, employee, director or manager (other than as an independent director or manager for a special purpose bankruptcy-remote entity) of us, ERCOT, any of our affiliates or any of our owner's affiliates or any QSE, CRRAH or other market participant, or related parties thereof,

- a creditor, supplier or service provider (including provider of professional services) to us, ERCOT or any of their respective equity holders or affiliates, other than a nationally recognized company that routinely provides professional Independent Managers and other corporate services to us, ERCOT or any of its affiliates in the ordinary course of its business,

- a family member of any member, partner, equity holder, manager, officer, employee, creditor, supplier or service provider of us, ERCOT or any of its affiliates, or

- a person who controls (whether directly, indirectly or otherwise) ERCOT or its affiliates or any member, partner, equity holder, manager, officer, employee, director, creditor, supplier or service provider described above.

The managers shall be obligated to devote as much of their time to our business as shall be reasonably required in light of our business and objectives.

ERCOT, as our sole member, has previously appointed the Independent Managers prior to the issuance of the 2021 M Bonds. None of our managers or officers has been involved in any significant legal proceedings.

The following is a list of our managers as of the date of this Offering Memorandum:

Name	Age	Background
Chad V. Seely	47	Chad V. Seely became Senior Vice President Regulatory Policy, General Counsel, Chief Compliance Officer and Corporate Secretary on January 3, 2023. Prior to that he served as Vice President, General Counsel, and Corporate Secretary for ERCOT from January 1, 2016. Mr. Seely oversees state and federal regulatory and litigation issues related to the ERCOT power region, including market, operational, planning, and compliance matters. In addition, Mr. Seely supervises the information governance program and market rules and stakeholder support groups. Mr. Seely has been with ERCOT since May 2005. Prior to joining ERCOT, Mr. Seely was an attorney at the Texas Department of Insurance, working on enforcement matters against licensed insurance agents and companies and unlicensed entities before the State Office of Administrative Hearings and the Commissioner of Insurance.
Richard L. Scheel	51	Richard L. Scheel has served as Senior Vice President, Chief Financial Officer, and Chief Risk Officer at ERCOT since October 2024. In this role, he oversees ERCOT's financial management, risk, and strategic functions, including accounting and controls, financial planning and analysis, treasury, enterprise risk, corporate strategy, and supply chain. He also leads enterprise architecture, project portfolio management, and quality management. Previously, Mr. Scheel was ERCOT's Controller from February 2020 to September 2024. Prior to joining ERCOT, he served as Controller and Director of Accounting Operations at the Teacher Retirement System of Texas from October 2017 to January 2020. Earlier in his career, he held senior finance leadership roles with the City of Austin and Dell. Mr. Scheel is a licensed CPA in Texas. He earned a B.B.A. from the University of Houston in 2000, an M.S. in Accounting Information Systems from UT Dallas in 2006, and a certificate in Negotiation and Leadership from Harvard in 2019.
Leslie Swanson	51	Leslie Swanson has served as Treasurer and Controller of ERCOT since October 2024. From January 2014 to October 2023, she served as Treasurer, and prior to that, as Treasury Manager.
Thomas M. Strauss (Independent)	49	Thomas Strauss is responsible for managing Wilmington Trust's Special Purpose Vehicle (SPV) business in the United States, which provides directors, managers, officers; as well as administrative, accounting, and tax services for a wide variety of structured finance and securitization vehicles. Tom and his team of highly credentialed professionals specialize in transactions including ABS, MBS, SIVs, CD's, CLOs, Real Estate Financings, and others. Tom joined Wilmington Trust in 1991 with expertise in tax and accounting services. Earlier in his career, he practiced public accounting for a firm in Pennsylvania. He holds a bachelor's degree in Accounting from Pennsylvania State University and is a Certified Public Accountant and Certified Corporate Trust Specialist. Tom is a member of the American Institute of Certified Public Accountants, the

		Pennsylvania Institute of Certified Public Accountants, and the American Securitization Forum.
Kevin Burns (Independent)	54	Kevin P. Burns co-founded Global Securitization Services, LLC ("GSS") in 1996. He is responsible for the management of all aspects of GSS's administration services, as well as overall supervision of the firm. For SPVs managed by the firm, Mr. Burns' responsibilities include origination, structuring and execution, with particular emphasis on administration of bank sponsored asset-backed commercial paper programs. Fortune 1000 companies have selected Mr. Burns to serve as Independent Director for their SPV subsidiaries established to finance commercial real estate, energy infrastructure and many classes of financial assets. Prior to co-founding Global, Mr. Burns spent five years with Lord Securities Corporation where he became a Director and Vice President in charge of Lord's asset-backed commercial paper group. Previous to this, he spent a year at the broker/dealer Mabon Securities Corporation where he sat on the intermediate corporate bond desk. Mr. Burns received a Bachelor of Business Administration degree in Finance from the University of Notre Dame in 1991.

Manager Fees and Limitation on Liabilities

We do not compensate our managers, other than the Independent Managers, for their services on our behalf. We pay the annual fees of the Independent Managers from our revenues and reimburse them for reasonable expenses. These expenses include the reasonable compensation, expenses and disbursements of the agents, representatives, experts and counsel that the Independent Managers may employ in connection with the exercise and performance of his rights and duties under our limited liability company agreement.

Our LLC Agreement provides that to the extent permitted by law, the managers will not be personally liable for any of our debts, obligations or liabilities. Our LLC Agreement further provides that, except as described below, to the fullest extent permitted by law, we will indemnify the managers against any liability incurred in connection with their services as managers for us if they acted in good faith and in a manner which they reasonably believed to be in or not opposed to our best interests. With respect to a criminal action, the managers will be indemnified unless they had reasonable cause to believe their conduct was unlawful. We will not indemnify the manager for any judgment, penalty, fine or other expense directly caused by their fraud, gross negligence or willful misconduct or in the case of an Independent Manager, bad faith or willful misconduct. In addition, unless ordered by a court, we will not indemnify the managers if a final adjudication establishes that their acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and were material to the cause of action. We will pay any indemnification amounts owed to the managers out of funds in the collection accounts, subject to the priority of payments described in "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated."

We Are a Separate and Distinct Legal Entity from ERCOT

Under our limited liability company agreement, we may not file a voluntary petition for relief under the Bankruptcy Code, without the affirmative vote of our member and the affirmative vote of all of our managers, including the Independent Managers. ERCOT has agreed that it will not cause us to file a voluntary petition for relief under the Bankruptcy Code. Our LLC Agreement requires us, except for financial reporting purposes (to the extent required by generally accepted accounting principles) and for federal income tax purposes, and, to the extent consistent with applicable state law, state income and franchise tax purposes, to maintain our existence separate from ERCOT including:

- taking all necessary steps to continue our identity as a separate legal entity;
- making it apparent to third persons that we are an entity with assets and liabilities distinct from those of ERCOT, other affiliates of ERCOT, the managers or any other person; and
- making it apparent to third persons that, except for federal and certain other tax purposes and insofar as we are a wholly owned subsidiary of ERCOT, we are not a division of ERCOT or any of its affiliated entities or any other person.

Administration Agreement

Pursuant to an Administration Agreement between ERCOT and us, ERCOT provides administrative services to us, including services relating to the preparation of financial statements, any tax returns we might be required to file under applicable law, qualifications to do business, and minutes of our managers' meetings. We pay ERCOT a fixed fee of $100,000 per annum, payable in installments of $50,000 on each payment date for performing these services, plus we reimburse ERCOT for all costs and expenses for services performed by unaffiliated third parties and actually incurred by ERCOT in performing such services described above.

RELATIONSHIP TO THE TEXAS STABILIZATION M BONDS, SERIES 2021 AND THE TEXAS STABILIZATION N BONDS, SERIES 2022

ERCOT's Prior Securitizations

The 2025 M Bonds are the third series of bonds which ERCOT has sponsored in accordance with the legislation passed in response to the aftermath of Winter Storm Uri in February 2021.

In response to the impact of Winter Storm Uri on the ERCOT power region, the Legislature enacted Subchapter M. In November 2021, Texas Funding M, a special purpose, wholly owned subsidiary of ERCOT, issued $800,000,000 of Texas Stabilization M Bonds, Series 2021. The 2021 M Bonds were secured by the default property of ERCOT. ERCOT acted as servicer with respect to the 2021 M Bonds. The purpose of the 2025 M Bonds is to refinance the remaining outstanding balance of the 2021 M Bonds. The default property securitized in the 2021 M Bonds transaction enabled ERCOT to address the default balance created by Winter Storm Uri, which included amounts owed to ERCOT by competitive wholesale market participants from the period of emergency that otherwise would be charged to other wholesale market participants, financial revenue auction receipts used by ERCOT to temporarily reduce amounts short-paid to wholesale market participants related to the period of emergency, and reasonable related costs to implement the debt obligation order.

ERCOT will also be the sponsor and initial servicer with respect to the Texas Stabilization Subchapter M Bonds, Series 2025, described in this Offering Memorandum. We are a separate legal entity from Texas Funding N. The 2025 M Bonds described herein will be payable from collateral that is separate from that securing the Texas Stabilization N Bonds. The 2025 M Bonds offered hereby will be backed by legally separate property from the property securing the 2022 N Bonds; however, all such bonds will be serviced by the same servicer (i.e., ERCOT). Additionally, the uplift charges backing the Texas Stabilization N Bonds and the default charges backing the 2025 M Bonds will be imposed on QSEs (and with respect to the 2025 M Bonds, CRRAHs) in the ERCOT power region from and after the issuance date of the 2025 M Bonds, and will be collected from some of the same entities.

In response to the impact of Winter Storm Uri on the ERCOT power region, the Legislature also enacted Subchapter N. The debt financing mechanism authorized in Subchapter N was intended to benefit obligated LSEs who were assessed extraordinary charges related to Winter Storm Uri, as well as the LSEs' retail customers who may have otherwise been invoiced for those extraordinary costs. The 2022 N Bonds financing was further intended to alleviate liquidity issues and reduce the risk of additional defaults in the wholesale electricity market of the ERCOT power region. While the nature of the costs recovered through the 2022 N Bonds securitization differs, the statutory framework with respect to the right to recover costs and regarding securitization is very similar to the framework regarding recovery of the default balance. In June 2022, Texas Funding N, a special purpose, wholly owned subsidiary of ERCOT, issued $2.115 billion of Texas Stabilization N Bonds, Series 2022. The 2022 N Bonds are secured by certain uplift property of ERCOT recoverable through irrevocable, nonbypassable uplift charges provided for in PURA and a separate debt obligation order issued by the Commission on October 14, 2021. ERCOT currently acts as servicer with respect to the 2022 N Bonds.

Texas Funding N does not have any obligations in respect to the 2025 M Bonds. The collateral pledged to secure the 2025 M Bonds will be separate from the collateral that is securing the Texas Stabilization N Bonds and from any collateral that would secure any other series of bonds that may be issued in the future.

Intercreditor Agreement

With respect to the 2025 M Bonds, we will enter into the Intercreditor Agreement dated the closing date of the issuance of the 2025 M Bonds, by and among us, ERCOT (in its individual capacity and in its capacity as the servicer of the default

property and uplift property), Texas Funding M, Texas Funding N and the Trustee (and in its capacity as indenture trustee of the 2022 N Bonds issued by Texas Funding N), pursuant to which:

- the servicer that allocates and remits default charges revenues received from Wholesale Market Participants for 2025 M Bonds to which this Offering Memorandum relates and default charges revenues received from responsible QSEs for the 2022 N Bonds issued by Texas Funding N must be one and the same entity; and

- in the event of a default by the servicer under (i) the Servicing Agreement relating to the 2025 M Bonds issued by us or (ii) the servicing agreement relating to the 2022 N Bonds issued by Texas Funding N, the Trustee and the trustee for the 2022 N Bonds, acting upon the vote of holders of 2025 M Bonds representing a majority of the outstanding principal amount of the 2025 M Bonds and the 2022 N Bonds issued by Texas Funding N must agree upon a replacement servicer that performs the allocation services described in the preceding subparagraph and any such successor shall be subject to satisfaction of the Rating Agency Condition and the provisions of the applicable servicing agreements.

If the trustees are unable to agree on a replacement servicer, no trustee would be able to replace ERCOT or any successor as servicer, and the trustees will be required to petition a court of competent jurisdiction to appoint a replacement servicer. During the interim period, under the Intercreditor Agreement, any trustee could, upon such a default, require all collections by the servicer to be deposited directly into a designated account with a financial institution selected by the trustees, subject to satisfaction of the Rating Agency Condition. The financial institution holding the designated account would then be responsible for allocating the collections in the account between default charges relating to the 2025 M Bonds offered in this Offering Memorandum and the uplift charges relating to the 2022 N Bonds issued by Texas Funding N.

The Intercreditor Agreement also provides that if, after the issuance of 2025 M Bonds by the Issuing Entity, ERCOT hereafter causes default property, or property similar to the default property, to be created under any other debt obligation order and acts as servicer for other bonds issued pursuant to such other debt obligation order, the Intercreditor Agreement may, by written agreement, be amended and restated to add as parties the relevant issuing entity of such other bonds, the trustee for such bonds, and the servicer of such property covered thereby in order to reflect the rights and obligations of such parties with respect to such property on terms substantially similar to the rights and obligations of Texas Funding N, the Issuing Entity, ERCOT, the Trustee and the trustee for Texas Funding N. No such amendment, however, shall be effective unless the Rating Agency Condition shall have been satisfied and no party shall be required to execute any such amended agreement on terms which are materially more disadvantageous to it than those already contained in the Intercreditor Agreement.

The parties to the Intercreditor Agreement will also agree to share with each other any and all records and other data regarding the default charges, uplift charges and allocation of the charges among various entities as are necessary to effect collection, allocation and remittance of payments in respect of default charges, uplift charges and other collected funds in accordance with the servicing agreements and the Intercreditor Agreement.

If ERCOT becomes a party to any future trade receivables purchase and sale arrangement or similar arrangement under which it sells all or any portion of its accounts receivables, ERCOT and the other parties to such arrangement shall enter into a joinder to the Intercreditor Agreement in connection therewith and the terms of the documentation evidencing such trade receivables purchase and sale arrangement or similar arrangement shall expressly exclude the default charges from any receivables or other assets pledged or sold under such arrangement.

DESCRIPTION OF THE TEXAS STABILIZATION SUBCHAPTER M BONDS, SERIES 2025

General

We have summarized below selected provisions of the Indenture, the 2025 series supplement and the 2025 M Bonds. The form of the Indenture and the form of the series supplement have been filed with the Trustee. See “Where Prospective Investors Can Find More Information” in this Offering Memorandum.

The 2025 M Bonds are not a debt, liability or other obligation of the State of Texas, the Commission or of any political subdivision, governmental agency, authority or instrumentality of the state or Texas and do not represent an interest in or legal obligation of ERCOT or any of its affiliates, other than us. Neither ERCOT nor any of its affiliates will guarantee or insure the 2025 M Bonds. The debt obligation order authorizing the issuance of the 2025 M Bonds does not constitute a

pledge of the full faith and credit of the state of Texas or of any of its political subdivisions. The issuance of the 2025 M Bonds under PURA will not directly, indirectly or contingently obligate the state of Texas or any of its political subdivisions to levy or to pledge any form of taxation for the 2025 M Bonds or to make any appropriation for their payment.

We will issue the 2025 M Bonds and secure their payment under the Indenture that we will enter into with U.S. Bank National Association, as trustee, referred to in this Offering Memorandum as the "Trustee." We will issue the 2025 M Bonds in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof, except that we may issue one bond in a smaller denomination. The initial principal balance, scheduled final payment date, final maturity date and interest rate for the 2025 M Bonds are stated in the table below:

Tranche	Expected Weighted Average Life (Years)	Principal Amount Offered	Scheduled Final Payment Date	Final Maturity Date	Interest Rate
A	14.69	$379,100,000	August 1, 2049	August 1, 2051	5.147%

The scheduled final payment date for the 2025 M Bonds is the date when the outstanding principal balance of the 2025 M Bonds will be reduced to zero if we make payments according to the expected amortization schedule. The final maturity date for the 2025 M Bonds is the date when we are required to pay the entire remaining unpaid principal balance, if any, of all outstanding 2025 M Bonds. The failure to pay principal of 2025 M Bonds by the final maturity date is an event of default, but the failure to pay principal of 2025 M Bonds by the respective scheduled final payment date will not be an event of default. Please read "—Interest Payments" and "—Principal Payments" and "—Events of Default; Rights Upon Event of Default" in this Offering Memorandum.

Payment and Record Dates and Payment Sources

Beginning February 1, 2026, we will make payments on the 2025 M Bonds semi-annually on February 1 and August 1 of each year, or, if that day is not a business day, the following business day (each, a "**payment date**"). So long as the 2025 M Bonds are in book-entry form, on each payment date, we will make interest and principal payments to the persons who are the holders of 2025 M Bonds of record as of the business day immediately prior to that payment date, which is referred to as the "**record date**." If we issue certificated bonds to beneficial owners of the 2025 M Bonds, the record date will be the last business day of the calendar month immediately preceding the payment date. On each payment date, we will pay amounts on outstanding 2025 M Bonds from amounts available in the collection account and the related subaccounts held by the Trustee in the priority set forth under "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated" in this Offering Memorandum. These available amounts, which will include amounts collected by the servicer for us with respect to the default charges, are described in greater detail under "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated" and "The Servicing Agreement—Remittances to Collection Account" in this Offering Memorandum.

Interest Payments

Interest on the 2025 M Bonds will accrue from and including the issue date to but excluding the first payment date, and thereafter from and including the previous payment date to but excluding the applicable payment date until the 2025 M Bonds have been paid in full, at the applicable interest rate indicated on the cover of this Offering Memorandum and in the table above on this page. Each of those periods is referred to as an "**interest accrual period**." We will calculate interest on the 2025 M Bonds on the basis of a 360-day year of twelve 30-day months.

On each payment date, we will pay interest on the 2025 M Bonds equal to the following amounts:

- if there has been a payment default, any interest payable but unpaid on any prior payment date, together with interest on such unpaid interest, if any, and

- accrued interest on the principal balance of the 2025 M Bonds as of the close of business on the preceding payment date (or with respect to the initial payment date, the date of the original issuance of the 2025 M Bonds) after giving effect to all payments of principal made on the preceding payment date, if any.

We will pay interest on the 2025 M Bonds before we pay principal on the 2025 M Bonds. Interest payments will be made from the Collections Account, including investment earnings thereon. In the event of default by a Wholesale Market Participant, the amounts in the Wholesale Market Participant's security deposit or available from other credit support (up to an amount of the lesser of the payment defaults of such Wholesale Market Participant or that Wholesale Market Participant's deposit or other credit support amount) will be used to make interest payments to the holders of 2025 M Bonds on each payment date for the 2025 M Bonds after more senior payments are made pursuant to the Indenture. Please read "Security for the 2025 M Bonds— How Funds in the Collection Account will be Allocated."

If there is a shortfall in the amounts available in the collection account to make interest payments on the Bonds, the Trustee will distribute interest pro rata to the holders of 2025 M Bonds based on the amount of interest payable on 2025 M Bonds. Please read "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated" in this Offering Memorandum.

Principal Payments

On each payment date, we will pay principal on the 2025 M Bonds to the holders of 2025 M Bonds equal to the sum, without duplication, of:

- the unpaid principal amount of any 2025 M Bond whose final maturity date is on that payment date, plus
- the unpaid principal amount of any 2025 M Bond upon acceleration following an event of default relating to the 2025 M Bonds, plus
- any overdue payments of principal, plus
- any unpaid and previously scheduled payments of principal, plus
- the principal scheduled to be paid on any 2025 M Bond on that payment date,

but only to the extent funds are available in the collection account after payment of certain of our fees and expenses and after payment of interest as described above under "—Interest Payments." If the Trustee receives insufficient collections of default charges for any payment date, and amounts in the collection account (and the applicable subaccounts of the collection account) are not sufficient to make up the shortfall, principal of the 2025 M Bonds may be payable later than expected. Please read "Risk Factors—Other Risks Associated with an Investment in the 2025 M Bonds." To the extent funds are so available, we will make scheduled payments of principal to the holders of 2025 M Bonds, until the principal balance of the 2025 M Bonds has been reduced to zero.

However, on any payment date, unless an event of default has occurred and is continuing and the 2025 M Bonds have been declared due and payable, the Trustee will make principal payments on the 2025 M Bonds only until the outstanding principal balances of those 2025 M Bonds have been reduced to the principal balances specified in the applicable expected amortization schedule for that payment date. Accordingly, principal of the 2025 M Bonds may be paid later, but not sooner than reflected in the expected amortization schedule, except in the case of an acceleration. The entire unpaid principal balance of the 2025 M Bonds will be due and payable on the final maturity date. The failure to make a scheduled payment of principal on the 2025 M Bonds because there are not sufficient funds in the collection account does not constitute a default or an event of default under the Indenture, except for the failure to pay in full the unpaid balance of the 2025 M Bonds upon the final maturity date.

Unless the 2025 M Bonds have been accelerated following an event of default, any excess funds remaining in the collection account after payment of principal, interest, applicable fees and expenses and payments to the applicable subaccounts of the collection account will be retained in the excess funds subaccount until applied on a subsequent payment date.

If an event of default (other than a breach by the state of Texas of the State Pledge) has occurred and is continuing, then the Trustee or the holders of 2025 M Bonds of not less than a majority in principal amount of the 2025 M Bonds then outstanding may declare the 2025 M Bonds to be immediately due and payable, in which event the entire unpaid principal amount of the 2025 M Bonds will become due and payable. Please read "—Events of Default; Rights Upon Event of Default." However, the nature of our business will result in payment of principal upon an acceleration of the 2025 M Bonds being

made as funds become available. Please read “Risk Factors—Risks Associated with the Unusual Nature of the Default Property—Foreclosure of the Trustee’s lien on the default property for the 2025 M Bonds might not be practical, and acceleration of the 2025 M Bonds before maturity might have little practical effect” and “Risk Factors—You may experience material payment delays or incur a loss on your investment in the 2025 M Bonds because the source of funds for payment is limited” in this Offering Memorandum.

If there is a shortfall in the amounts available to make principal payments on the 2025 M Bonds that are due and payable, including upon an acceleration following an event of default, the Trustee will distribute principal from the collection account pro rata to the holders of 2025 M Bonds based on the principal amount then due and payable on the payment date; and if there is a shortfall in the remaining amounts available to make principal payments on the 2025 M Bonds that are scheduled to be paid, the Trustee will distribute principal from the collection account pro rata to the holders of 2025 M Bonds based on the principal amount then scheduled to be paid on the payment date.

The expected amortization schedule below sets forth the corresponding principal payment that is scheduled to be made on each payment date for the 2025 M Bonds from the issuance date to the scheduled final payment date. Similarly, the expected outstanding principal balance schedule below sets forth the principal balance that is scheduled to remain outstanding on each payment date for the 2025 M Bonds from the issuance date to the scheduled final payment date.

EXPECTED AMORTIZATION SCHEDULE

Semi-Annual Payment Date	Tranche A
February 1, 2026	$3,698,896.09
August 1, 2026	$4,085,761.08
February 1, 2027	$4,195,034.76
August 1, 2027	$4,307,230.97
February 1, 2028	$4,422,427.86
August 1, 2028	$4,540,705.69
February 1, 2029	$4,662,146.87
August 1, 2029	$4,786,835.98
February 1, 2030	$4,914,859.91
August 1, 2030	$5,046,307.84
February 1, 2031	$5,181,271.34
August 1, 2031	$5,319,844.45
February 1, 2032	$5,462,123.69
August 1, 2032	$5,608,208.18
February 1, 2033	$5,758,199.71
August 1, 2033	$5,912,202.76
February 1, 2034	$6,070,324.63
August 1, 2034	$6,232,675.46
February 1, 2035	$6,399,368.36
August 1, 2035	$6,570,519.47
February 1, 2036	$6,746,248.01
August 1, 2036	$6,926,676.42
February 1, 2037	$7,111,930.38
August 1, 2037	$7,302,138.95
February 1, 2038	$7,497,434.66
August 1, 2038	$7,697,953.55
February 1, 2039	$7,903,835.32
August 1, 2039	$8,115,223.39
February 1, 2040	$8,332,265.04
August 1, 2040	$8,555,111.47
February 1, 2041	$8,783,917.93
August 1, 2041	$9,018,843.81
February 1, 2042	$9,260,052.79
August 1, 2042	$9,507,712.90
February 1, 2043	$9,761,996.69
August 1, 2043	$10,023,081.29

Semi-Annual Payment Date	Tranche A
February 1, 2044	$10,291,148.60
August 1, 2044	$10,566,385.36
February 1, 2045	$10,848,983.34
August 1, 2045	$11,139,139.40
February 1, 2046	$11,437,055.68
August 1, 2046	$11,742,939.74
February 1, 2047	$12,057,004.66
August 1, 2047	$12,379,469.25
February 1, 2048	$12,710,558.16
August 1, 2048	$13,050,502.03
February 1, 2049	$13,399,537.72
August 1, 2049	$13,757,908.36
Total Payments	$ 379,100,000.00

We cannot assure you that the principal balance of the 2025 M Bonds will be reduced at the rate indicated in the table above. The actual reduction in the principal balance may occur more slowly. The actual reduction the in principal balance will not occur more quickly than indicated in the above table, except in the case of acceleration due to an event of default under the Indenture. The 2025 M Bonds will not be in default if principal is not paid as specified in the schedule above unless the principal of the 2025 M Bonds is not paid in full on or before the final maturity date.

EXPECTED OUTSTANDING PRINCIPAL BALANCE SCHEDULE

Outstanding Principal Balance of 2025 M Bonds

Semi-Annual Payment Date	Tranche A Balance
Issuance Date	$379,100,000.00
February 1, 2026	$375,401,103.91
August 1, 2026	$371,315,342.83
February 1, 2027	$367,120,308.07
August 1, 2027	$362,813,077.10
February 1, 2028	$358,390,649.24
August 1, 2028	$353,849,943.55
February 1, 2029	$349,187,796.68
August 1, 2029	$344,400,960.70
February 1, 2030	$339,486,100.79
August 1, 2030	$334,439,792.95
February 1, 2031	$329,258,521.61
August 1, 2031	$323,938,677.16
February 1, 2032	$318,476,553.47
August 1, 2032	$312,868,345.29
February 1, 2033	$307,110,145.58
August 1, 2033	$301,197,942.82
February 1, 2034	$295,127,618.19
August 1, 2034	$288,894,942.73
February 1, 2035	$282,495,574.37
August 1, 2035	$275,925,054.90
February 1, 2036	$269,178,806.89
August 1, 2036	$262,252,130.47
February 1, 2037	$255,140,200.09
August 1, 2037	$247,838,061.14
February 1, 2038	$240,340,626.48
August 1, 2038	$232,642,672.93
February 1, 2039	$224,738,837.61
August 1, 2039	$216,623,614.22

Semi-Annual Payment Date	Tranche A Balance
February 1, 2040	$208,291,349.18
August 1, 2040	$199,736,237.71
February 1, 2041	$190,952,319.78
August 1, 2041	$181,933,475.97
February 1, 2042	$172,673,423.18
August 1, 2042	$163,165,710.28
February 1, 2043	$153,403,713.59
August 1, 2043	$143,380,632.30
February 1, 2044	$133,089,483.70
August 1, 2044	$122,523,098.34
February 1, 2045	$111,674,115.00
August 1, 2045	$100,534,975.60
February 1, 2046	$89,097,919.92
August 1, 2046	$77,354,980.18
February 1, 2047	$65,297,975.52
August 1, 2047	$52,918,506.27
February 1, 2048	$40,207,948.11
August 1, 2048	$27,157,446.08
February 1, 2049	$13,757,908.36
August 1, 2049	$0.00

On each payment date, the Trustee will make principal payments to the extent the principal balance of the 2025 M Bonds exceeds the amount indicated for that payment date in the table above and to the extent of funds available in the collection account after payment of certain of our fees and expenses and after payment of interest.

Distribution Following Acceleration

Upon an acceleration of the maturity of the 2025 M Bonds, the total outstanding principal balance of and interest accrued on the 2025 M Bonds will be payable. Although principal will be due and payable upon acceleration, the nature of our business will result in principal being paid as funds become available. Please read “Risk Factors—Risks Associated with the Unusual Nature of the Default Property—Foreclosure of the Trustee’s lien on the default property for the 2025 M Bonds might not be practical, and acceleration of the 2025 M Bonds before maturity might have little practical effect” and “Risk Factors—You may experience material payment delays or incur a loss on your investment in the 2025 M Bonds because the source of funds for payment is limited” in this Offering Memorandum.

Optional Redemption

The Issuing Entity may not voluntarily redeem the 2025 M Bonds.

Payments on the 2025 M Bonds

On each payment date, the Trustee will pay, to the extent of available funds in the collection account, to the holders of 2025 M Bonds of record as of the related record date, principal and interest due for such payment date other than the final payment. The Trustee will make the final payment for the 2025 M Bonds, however, only upon presentation and surrender of the 2025 M Bonds at the office or agency of the Trustee specified in the notice given by the Trustee of the final payment. The Trustee will mail notice of the final payment to the holders of 2025 M Bonds no later than five (5) days prior to the final payment date, specifying the date set for the final payment and the amount of the payment.

The failure to pay accrued interest on any payment date (even if the failure is caused by a shortfall in default charges received) will result in an event of default for the 2025 M Bonds unless such failure is cured within five (5) business days. Please read “—Events of Default; Rights Upon Event of Default.” Any interest not paid when due (plus interest on the defaulted interest at the applicable interest rate to the extent lawful) will be payable to the holders of 2025 M Bonds on a special record date. The special record date will be at least fifteen (15) business days prior to the date on which the Trustee is to make such special payment (a special payment date). We will fix any special record date and special payment date. At least ten (10) days before any special record date, the Trustee will mail to each affected bondholder a notice that states

the special record date, the special payment date and the amount of defaulted interest (plus interest on the defaulted interest) to be paid.

The entire unpaid principal amount of the 2025 M Bonds will be due and payable:

- on the final maturity date,
- if an event of default under the Indenture occurs and is continuing and the Trustee or the holders of 2025 M Bonds of a majority in principal amount of the 2025 M Bonds have declared the 2025 M Bonds to be immediately due and payable.

However, the nature of our business will result in payment of principal upon an acceleration of the 2025 M Bonds being made as funds become available. Please read "Risk Factors—Risks Associated with the Unusual Nature of the Default Property—Foreclosure of the Trustee's lien on the default property for the 2025 M Bonds might not be practical, and acceleration of the 2025 M Bonds before maturity might have little practical effect" and "—You may experience material payment delays or incur a loss on your investment in the 2025 M Bonds because the source of funds for payment is limited."

At the time, if any, we issue the 2025 M Bonds in the form of definitive bonds and not to DTC or its nominee, the Trustee will make payments on a payment date or a special payment date by wire transfer to each holder of a definitive 2025 M Bond of record on the applicable record date to an account maintained by the payee.

If any special payment date or other date specified for any payments to holders of 2025 M Bonds is not a business day, the Trustee will make payments scheduled to be made on that special payment date or other date on the next succeeding business day and no interest will accrue upon the payment during the intervening period.

Fees and Expenses

As set forth in the table below, the Issuing Entity is obligated to pay fees to the servicer, the Trustee, its Independent Managers and ERCOT as administrator. The following table illustrates these arrangements.

Recipient	Source of Payment	Fees and Expenses Payable
Servicer	Default charge collections and investment earnings.	$200,000 per annum
Trustee	Default charge collections and investment earnings.	$6,000 per annum plus expenses
Independent Managers	Default charge collections and investment earnings.	$5,000 per annum plus expenses
Administration Fee	Default charge collections and investment earnings.	$100,000 per annum plus expenses

The annual servicing fee payable to any servicer not affiliated with ERCOT shall not at any time exceed 0.60% of the initial principal amount of the 2025 M Bonds unless such higher rate is approved by the Commission.

The 2025 M Bonds Will Be Issued in Book-Entry Form

The 2025 M Bonds will be available to investors only in the form of book-entry 2025 M Bonds. You may hold your Bonds through DTC in the United States, Clearstream Banking, Luxembourg, S.A., referred to as Clearstream, or Euroclear in Europe. You may hold your 2025 M Bonds directly with one of these systems if you are a participant in the system or indirectly through organizations that are participants.

The Role of DTC, Clearstream and Euroclear

Cede & Co., as nominee for DTC, will hold the global bond or bonds representing the 2025 M Bonds. Clearstream and Euroclear will hold omnibus positions on behalf of the Clearstream customers and Euroclear participants, respectively, through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries. These depositaries will, in turn, hold these positions in customers' securities accounts in the depositaries' names on the books of DTC.

The Function of DTC

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

The Function of Clearstream

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thereby eliminating the need for physical movement of securities. Transactions may be settled by Clearstream in any of various currencies, including United States dollars. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in various countries through established depositary and custodial relationships. Clearstream is registered as a bank in Luxembourg and therefore is subject to regulation by the Luxembourg *Commission de Surveillance du Secteur Financier*, which supervises Luxembourg banks. Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, among others, and may include the underwriters of the 2025 M Bonds. Clearstream's U.S. customers are limited to securities brokers and dealers and banks. Clearstream has customers located in various countries. Indirect access to Clearstream is also available to other institutions that clear through or maintain a custodial relationship with an account bondholder of Clearstream. Clearstream has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream and Euroclear.

The Function of Euroclear

The Euroclear System was created in 1968 in Brussels. Euroclear holds securities and book-entry interests in securities for Euroclear participants and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Such transactions may be settled in any of various currencies, including United States dollars. The Euroclear System includes various other services, including, among other things, safekeeping, administration, clearance and settlement, securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below. The Euroclear System is operated by Euroclear Bank SA/NV. Euroclear participants include central banks and other banks, securities brokers and dealers and other professional financial intermediaries and may include the Initial

Purchasers of the 2025 M Bonds. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Terms and Conditions of Euroclear

Securities clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Terms and Conditions**"). These Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawals of securities and cash from the Euroclear System and receipts of payments with respect to securities in the Euroclear System. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. Euroclear acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

The Rules for Transfers Among DTC, Clearstream or Euroclear Participants

Transfers between DTC participants will occur in accordance with DTC rules. Transfers between Clearstream customers or Euroclear participants will occur in the ordinary way in accordance with their applicable rules and operating procedures and will be settled using procedures applicable to conventional securities held in registered form.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines, which will be based on European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving bonds in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to Clearstream's and Euroclear's depositaries.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date, and those credits or any transactions in those securities settled during that processing will be reported to the relevant Clearstream customer or Euroclear participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream customer or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

DTC Will Be the Holder of the 2025 M Bonds

Holders of 2025 M Bonds that are not participants or Indirect Participants but desire to purchase, sell or otherwise transfer ownership of, or other interest in, 2025 M Bonds may do so only through participants and Indirect Participants. In addition, holders of 2025 M Bonds will receive all payments of principal of and interest on the 2025 M Bonds from the Trustee through the participants, who in turn will receive them from DTC. Under a book-entry format, holders of 2025 M Bonds may experience some delay in their receipt of payments because payments will be forwarded by the Trustee to Cede & Co., as nominee for DTC. DTC will forward those payments to its participants, who thereafter will forward them to Indirect Participants or holders of 2025 M Bonds. It is anticipated that the only "bondholder" of record will be Cede & Co., as nominee of DTC. The Trustee will not recognize holders of 2025 M Bonds as record holders of 2025 M Bonds, as that term is used in the Indenture, and holders of 2025 M Bonds will be permitted to exercise the rights of holders of 2025 M Bonds only indirectly through the participants, who in turn will exercise the rights of holders of 2025 M Bonds through DTC.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers of book-entry certificates among participants on whose behalf it acts with respect to the 2025 M Bonds and is required to receive and transmit payments of principal and interest on the 2025 M Bonds. Participants and Indirect Participants with whom holders of 2025 M Bonds have accounts with respect to the 2025 M Bonds similarly are required to make book-entry transfers and receive and transmit those payments on behalf of their respective holders of 2025 M Bonds.

Accordingly, although holders of 2025 M Bonds will not possess 2025 M Bonds, holders of 2025 M Bonds will receive payments and will be able to transfer their interests.

Because DTC can act only on behalf of participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a bondholder to pledge 2025 M Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those 2025 M Bonds, may be limited due to the lack of a physical certificate for those 2025 M Bonds.

DTC has advised us that it will take any action permitted to be taken by a bondholder under the Indenture only at the direction of one or more participants to whose account with DTC the 2025 M Bonds are credited. Additionally, DTC has advised us that it will take those actions with respect to specified percentages of the collateral amount only at the direction of and on behalf of participants whose holdings include interests that satisfy those specified percentages. DTC may take conflicting actions with respect to other interests to the extent that those actions are taken on behalf of participants whose holdings include those interests.

Except as required by law, none of the Initial Purchasers, the servicer, ERCOT, the Trustee, us or any other party will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the certificates held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

How 2025 M Bond Payments Will Be Credited by Clearstream and Euroclear

Payments with respect to 2025 M Bonds held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream customers or Euroclear participants in accordance with the applicable system's rules and operating procedures, to the extent received by its depositary. Those payments will be subject to tax reporting in accordance with relevant U.S. tax laws and regulations. Please read "Material U.S. Federal Income Tax Consequences" in this Offering Memorandum. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a bondholder under the Indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its applicable rules and operating procedures and subject to its depositary's ability to effect those actions on its behalf through DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the 2025 M Bonds among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time.

Definitive 2025 M Bonds

We will issue 2025 M Bonds in registered, certificated form to holders of 2025 M Bonds, or their nominees, rather than to DTC, only under the circumstances provided in the Indenture, which will include: (1) us advising the Trustee in writing that DTC is no longer willing or able to properly discharge its responsibilities as nominee and depositary with respect to the book-entry 2025 M Bonds and that we are unable to locate a qualified successor, (2) our electing to terminate the book-entry system through DTC, with written notice to the Trustee, or (3) after the occurrence of an event of default under the Indenture, holders of 2025 M Bonds aggregating not less than a majority of the aggregate outstanding principal amount of the 2025 M Bonds maintained as book-entry 2025 M Bonds advising us, the Trustee, and DTC in writing that the continuation of a book-entry system through DTC (or a successor) is no longer in the best interests of those holders of 2025 M Bonds. Upon issuance of definitive 2025 M Bonds, the 2025 M Bonds evidenced by such definitive 2025 M Bonds will be transferable directly (and not exclusively on a book-entry basis) and registered holders of 2025 M Bonds will deal directly with the Trustee with respect to transfers, notices and payments.

Upon surrender by DTC of the definitive securities representing the 2025 M Bonds and instructions for registration, the Issuing Entity will sign and the Trustee will authenticate and deliver the 2025 M Bonds in the form of definitive 2025 M Bonds, and thereafter the Trustee will recognize the registered holders of the definitive 2025 M Bonds as holders of 2025 M Bonds under the Indenture.

In the case of definitive 2025 M Bonds, the Trustee will make payment of principal of and interest on the 2025 M Bonds directly to holders of 2025 M Bonds in accordance with the procedures set forth herein and in the Indenture. The Trustee will make interest payments and principal payments to holders of 2025 M Bonds in whose names the definitive 2025 M

Bonds were registered at the close of business on the related record date. The Trustee will make payments by wire transfer to the bondholder as described in the Indenture or in such other manner as may be provided in the series supplement. The Trustee will make the final payment on any 2025 M Bond (whether definitive 2025 M Bonds or notes registered in the name of Cede & Co.), however, only upon presentation and surrender of the Bond on the final payment date at the office or agency that is specified in the notice of final payment to holders of 2025 M Bonds. The Trustee will provide the notice to registered holders of 2025 M Bonds not later than the fifth (5^{th}) day prior to the final payment date.

Definitive 2025 M Bonds will be transferable and exchangeable at the offices of the transfer agent and registrar, which initially will be the Trustee. There will be no service charge for any registration of transfer or exchange, but the transfer agent and registrar may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith.

Access of Holders of 2025 M Bonds

Upon written request of any holder of 2025 M Bonds or group of holders of 2025 M Bonds evidencing not less than ten percent (10%) of the aggregate outstanding principal amount of the 2025 M Bonds, the Trustee will afford the holder or holders of 2025 M Bonds making such request a copy of a current list of holders of 2025 M Bonds for purposes of communicating with other holders of 2025 M Bonds with respect to their rights under the Indenture.

The Indenture does not provide for any annual or other meetings of holders of 2025 M Bonds.

Reports to Holders of 2025 M Bonds

On or prior to each payment date, special payment date or any other date specified in the Indenture for payments of 2025 M Bonds, the servicer will deliver to the Trustee, and the Trustee will make available on its website (currently located at https://pivot.usbank.com), a statement prepared by the servicer with respect to the payment to be made on the payment date, special payment date or other date, as the case may be, setting forth the following information:

- the amount of the payment to holders of 2025 M Bonds allocable to (1) principal and (2) interest,
- the aggregate outstanding principal balance of the 2025 M Bonds, before and after giving effect to any payments allocated to principal reported immediately above,
- the difference, if any, between the amount specified immediately above and the principal amount scheduled to be outstanding on that date according to the related expected amortization schedule,
- any other transfers and payments to be made on such payment date, including amounts paid to the Trustee and the servicer, and
- the amounts on deposit in the supplemental capital subaccount and the excess funds subaccount, after giving effect to the foregoing payments.

Unless and until 2025 M Bonds are no longer issued in book-entry form, the reports will be provided to the depository for the 2025 M Bonds, or its nominee, as sole owner of the 2025 M Bonds. The reports will be available to holders of 2025 M Bonds upon written request to the Trustee or the servicer. Such reports will not constitute financial statements prepared in accordance with generally accepted accounting principles. The financial information provided to holders of 2025 M Bonds will not be examined and reported upon by an independent public accountant. In addition, an independent public accountant will not provide an opinion on the financial information.

Within the prescribed period of time for tax reporting purposes after the end of each calendar year during the term of the 2025 M Bonds, the Trustee, so long as it is acting as paying agent and transfer agent and registrar for the 2025 M Bonds, will, upon written request by us or any bondholder, mail to persons who at any time during the calendar year were holders of 2025 M Bonds and received any payment on the 2025 M Bonds, a statement containing certain information for the purposes of the bondholder’s preparation of United States federal and state income tax returns.

Website Disclosure

We will cause to be posted on the Trustee's website for investors, currently located at https://Pivot.usbank.com (or via such other website as may be designated by the Trustee for such purpose), the following (in the case of clause (h) and (i) to the extent such information is reasonably available to us):

a. the Offering Memorandum for the 2025 M Bonds,

b. a statement of default charges remittances made to the Trustee,

c. a statement reporting the balances in the collection account and in each subaccount of the collection account as of the end of each quarter or the most recent date available,

d. a statement showing the balance of outstanding 2025 M Bonds that reflects the actual periodic payments made on the 2025 M Bonds during the applicable period,

e. the semi-annual servicer's certificate delivered for the 2025 M Bonds pursuant to the Servicing Agreement,

f. the monthly servicer's certificate delivered for the 2025 M Bonds pursuant to the Servicing Agreement,

g. the text (or a link to the website where a reader can find the text) of each true-up filing in respect of the outstanding 2025 M Bonds and the results of each such true-up filing,

h. any change in the long-term or short-term credit ratings of the servicer assigned by the rating agencies,

i. material legislative or regulatory developments directly relevant to the 2025 M Bonds,

j. any reports and other information that we are required to file under the securities laws of the United States, and

k. a quarterly statement either affirming that, to the Issuing Entity's or the depositor's knowledge, as applicable, in all material respects, that each materially significant Wholesale Market Participant (A) has been billed in compliance with the requirements outlined in the debt obligation order, (B) has made payments in compliance with the requirements outlined in the debt obligation order and (C) each such Wholesale Market Participant has satisfied the Wholesale Market Participant security deposit requirements in accordance with the ERCOT Nodal Protocols, or if any of clauses (A), (B), or (C) have not occurred, such quarterly statements shall describe the servicer's actions.

Information contained on the Trustee's website or that can be accessed through the website is not incorporated into and does not constitute a part of this Offering Memorandum.

We and the Trustee May Modify the Indenture

Modifications of the Indenture that do not Require Consent of Holders of 2025 M Bonds

From time to time, and without the consent of the holders of 2025 M Bonds (but with prior notice to the rating agencies and, in certain instances, with the consent or deemed consent of the Commission and when authorized by an issuer order), we may enter into one or more agreements supplemental to the Indenture for various purposes described in the Indenture, including:

- to correct or amplify the description of any property including, without limitation, the collateral subject to the Indenture, or to better convey, assure and confirm to the Trustee the property subject to the Indenture, or to add additional property,

- to add to the covenants for the benefit of the holders of 2025 M Bonds and the Trustee, or surrender any right or power conferred to us with the Indenture,

- to convey, transfer, assign, mortgage or pledge any property to or with the Trustee,

- to cure any ambiguity or mistake or correct or supplement any provision in the Indenture or in any supplemental indenture which may be inconsistent with any other provision in the Indenture or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under the Indenture or in any supplemental indenture, provided however, that (i) such action will not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of the holders of 2025 M Bonds and (ii) the Rating Agency Condition shall have been satisfied with respect thereto,

- to evidence and provide for the acceptance of the appointment under the Indenture of a successor trustee with respect to the 2025 M Bonds and to add or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts thereunder by more than one trustee,

- to evidence the final terms of the 2025 M Bonds in the Series Supplement,

- to evidence the succession of another person to us in accordance with the terms of the Indenture and the assumption by any such successor of the covenants in the Indenture and in the 2025 M Bonds,

- to qualify the 2025 M Bonds for registration with a clearing agency,

- to satisfy any rating agency requirements,

- to make any amendment to the Indenture or the 2025 M Bonds relating to the transfer and lending of the 2025 M Bonds to comply with applicable securities laws, or

- to conform the text of the Indenture or the 2025 M Bonds to any provision of this Offering Memorandum with respect to the issuance of the 2025 M Bonds to the extent that such provision was intended to be a verbatim recitation of a provision of the Indenture or the 2025 M Bonds.

We may also, without the consent of the holders of 2025 M Bonds, enter into one or more other agreements supplemental to the Indenture so long as (i) the supplemental agreement does not, as evidenced by an opinion of counsel experienced in structured finance transactions, adversely affect the interests of any holders of 2025 M Bonds then outstanding in any material respect, (ii) the Rating Agency Condition shall have been satisfied with respect thereto, and (iii) with respect to any amendment that would increase ongoing costs, we have obtained the consent or deemed consent of the Commission.

Modifications of the Indenture that Require the Approval of Holders of 2025 M Bonds.

We may, with the consent of holders of 2025 M Bonds holding not less than a majority of the aggregate outstanding principal amount of the 2025 M Bonds (and with prior notice to the rating agencies and with the consent or deemed consent of the Commission if such supplemental indenture will increase ongoing costs), enter into one or more indentures supplemental to the Indenture for the purpose of, among other things, adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture. In determining whether a majority of holders of 2025 M Bonds have consented, 2025 M Bonds owned by us, ERCOT or any affiliate of us shall be disregarded, except that, in determining whether the Trustee shall be protected in relying upon any such consent, the Trustee shall only be required to disregard any 2025 M Bonds that a responsible officer of the Trustee actually knows to be so owned. No supplement, however, may, without the consent of each holder of 2025 M Bonds affected thereby, take certain actions enumerated in the Indenture, including:

- change the date of payment of any installment of principal of or premium, if any, or interest on any 2025 M Bond, or reduce in any manner the principal amount thereof, the interest rate thereon or the premium, if any, with respect thereto,

- change the provisions of the Indenture and any applicable supplemental indenture relating to the application of collections on, or the proceeds of the sale of, the collateral to payment of principal of or premium, if any, or interest on the 2025 M Bonds, or change the coin or currency in which any 2025 M Bond or any interest thereon is payable,

- impair the right to institute suit for the enforcement of those provisions of the Indenture specified therein regarding payment or application of funds,

- reduce the percentage of the aggregate amount of the outstanding 2025 M Bonds, the consent of the holders of 2025 M Bonds of which is required for any supplemental indenture, or the consent of the holders of 2025 M Bonds of which is required for any waiver of compliance with those provisions of the Indenture specified therein or of defaults specified therein and their consequences provided for in the Indenture or modify certain aspects of the definition of the term "outstanding,"

- reduce the percentage of the outstanding amount of the 2025 M Bonds required for holders to consent to direct the Trustee to sell or liquidate the collateral,

- modify any of the provisions of the Indenture in a manner so as to affect the amount of any payment of interest, principal or premium, if any, payable on the 2025 M Bonds on any payment date or change the expected amortization schedule or final maturity date of the 2025 M Bonds,

- decrease the required supplemental capital amount,

- permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the collateral for the 2025 M Bonds or, except as otherwise permitted or contemplated in the Indenture, terminate the lien of the Indenture on any property at any time subject thereto or deprive the holder of any 2025 M Bond of the security provided by the lien of the Indenture, or

- cause any material adverse federal income tax consequence to the seller, the Issuing Entity, the manager, the Trustee or the beneficial owners of the 2025 M Bonds.

Promptly following the execution of any supplement to the Indenture requiring the approval of the holders of 2025 M Bonds, we will furnish either a copy of such supplement or written notice of the substance of the supplement to each holder of 2025 M Bonds, and a copy of such supplement to each rating agency.

Notification of the rating agencies, the Commission, the Trustee and the Holders of 2025 M Bonds of Any Modification

If we, ERCOT, the servicer, or any other party to the applicable agreement:

- proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any other amendment, modification, waiver, supplement, termination or surrender of, the terms of the Indenture, Sale Agreement, Administration Agreement, or the Servicing Agreement, or

- waives timely performance or observance by ERCOT or the servicer under the Sale Agreement, the Intercreditor Agreement or the Servicing Agreement,

in each case in a way which would materially and adversely affect the interests of holders of 2025 M Bonds, we must first notify the rating agencies of the proposed amendment and satisfy the Rating Agency Condition. Upon satisfaction of the Rating Agency Condition, we must thereafter notify the Trustee and the Commission in writing, and the Trustee will be required to notify the holder of 2025 M Bonds of the proposed amendment and whether the Rating Agency Condition has been satisfied with respect thereto. The Trustee will consent to this proposed amendment, modification, supplement or waiver only with the written consent of the holders of 2025 M Bonds of a majority of the outstanding principal amount of the 2025 M Bonds materially and adversely affected thereby. In determining whether a majority of holders of 2025 M Bonds have consented, 2025 M Bonds owned by us, ERCOT or any affiliate of us shall be disregarded, except that, in determining whether the Trustee shall be protected in relying upon any such consent, the Trustee shall only be required to disregard any 2025 M Bonds that a responsible officer of the Trustee actually knows to be so owned.

Modifications to Sale Agreement, the Administration Agreement, the Intercreditor Agreement and Servicing Agreement

With the prior written consent of the Trustee, the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement may be amended, so long as the Rating Agency Condition is satisfied in connection therewith, at any time and from time to time, without the consent of the holders of 2025 M Bonds but, with respect to amendments that would increase ongoing costs as defined in the debt obligation order, with the consent or deemed consent of the Commission (other than with respect to the Intercreditor Agreement). However, any such amendment may

not adversely affect the interest of any holder of 2025 M Bonds in any material respect without the consent of the holders of 2025 M Bonds of a majority of the outstanding principal amount of the 2025 M Bonds. In determining whether a majority of holders of 2025 M Bonds have consented, 2025 M Bonds owned by us, ERCOT or any affiliate of us shall be disregarded, except that, in determining whether the Trustee shall be protected in relying upon any such consent, the Trustee shall only be required to disregard any 2025 M Bonds that a responsible officer of the Trustee actually knows to be so owned. The parties to the Servicing Agreement acknowledge that the debt obligation order provides that the Commission, acting through its authorized legal representative and for the benefit of Texas ratepayers, may enforce the servicer's obligations imposed under the Servicing Agreement pursuant to the debt obligation order to the extent permitted by law.

In addition, the Sale Agreement, the Administration Agreement and the Servicing Agreement may be amended with ten (10) business days' prior written notice given to the rating agencies, the prior written consent of the Trustee (other than with respect to the Sale Agreement and the Administration Agreement, and which consent shall be given in reliance on an opinion of counsel and an officer's certificate stating that such amendment is permitted or authorized under and adopted in accordance with the provisions of the applicable agreement and that all conditions precedent have been satisfied, upon which the Trustee may conclusively rely) and, if the contemplated amendment may in the judgment of the Commission increase ongoing costs, the consent of the Commission, but without the consent of the holders of 2025 M Bonds, (i) to cure any ambiguity, to correct or supplement any provisions in the applicable agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in such agreement or of modifying in any manner the rights of the holders of 2025 M Bonds; provided, however, that such action shall not, as evidenced by an officer's certificate delivered to the Issuing Entity and the Trustee, adversely affect in any material respect the interests of any holder of 2025 M Bonds or (ii) to conform the provisions of the applicable agreement to the description of such agreement in this Offering Memorandum. Promptly after the execution of any such amendment or consent, the Issuing Entity shall furnish copies of such amendment or consent to each of the rating agencies.

Enforcement of the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement

The Indenture provides that we will take all lawful actions to enforce our rights under the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement; provided that such action shall not adversely affect the interests of holders of 2025 M Bonds in any material respect. The Indenture also provides that we will take all lawful actions to compel or secure the performance and observance by ERCOT, the administrator and the servicer of their respective obligations to us under or in connection with the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement. So long as no event of default occurs and is continuing, we may exercise any and all rights, remedies, powers and privileges lawfully available to us under or in connection with the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement. However, if we or the servicer propose to amend, modify, waive, supplement, terminate or surrender in any material respect, or agree to any material amendment, modification, supplement, termination, waiver or surrender of, the process for adjusting the default charges, we must notify the Trustee and the Commission in writing and the Trustee must notify the holders of the 2025 M Bonds of this proposal. In addition, the Trustee may consent to this proposal only with the written consent of the holders of 2025 M Bonds of a majority of the principal amount of the outstanding 2025 M Bonds materially and adversely affected thereby and only if the Rating Agency Condition is satisfied. In determining whether a majority of holders of 2025 M Bonds have consented, 2025 M Bonds owned by us, ERCOT or any affiliate of us shall be disregarded, except that, in determining whether the Trustee shall be protected in relying upon any such consent, the Trustee shall only be required to disregard any 2025 M Bonds that a responsible officer of the Trustee actually knows to be so owned. In addition, any proposed amendment of the Indenture, the Sale Agreement or the Servicing Agreement that would increase ongoing costs as defined in the debt obligation order requires the prior written consent or deemed consent of the Commission.

If an event of default occurs and is continuing, the Trustee may, and, at the written direction of the holders of a majority of the outstanding principal amount of 2025 M Bonds, will, exercise all of our rights, remedies, powers, privileges and claims against ERCOT, the seller, the administrator and servicer, under or in connection with the Sale Agreement, Administration Agreement, Intercreditor Agreement and Servicing Agreement, and any right of ours to take this action shall be suspended.

Procedure for Obtaining Consent or Deemed Consent of the Commission

To the extent the consent of the Commission is required to effect any amendment, modification or supplemental indenture of the Indenture or any other of the basic documents, the Indenture sets forth procedures whereby we may request such consent and the Commission shall, within thirty (30) days of receiving such a request, either (i) provide notice of its

consent or lack of consent, or (ii) be conclusively deemed to have consented to the proposed amendment, modification or supplemental indenture, unless, within such thirty (30) day period, the Commission delivers to us a written statement requesting an additional amount of time, not to exceed thirty (30) days, in which to consider whether to consent to the proposed amendment, modification or supplemental indenture. If the Commission requests an extension of time as described above, the Commission shall either (i) provide notice of its consent or lack of consent no later than the last day of such extended period of time or (ii) be conclusively deemed to have consented to the proposed amendment, modification or supplemental indenture on the last day of such extended period of time.

Our Covenants

We may not consolidate with or merge into any other entity, unless:

- the entity formed by or surviving the consolidation or merger is organized under the laws of the United States or any state;
- the entity expressly assumes, by a supplemental indenture, the performance or observance of all of our agreements and covenants under the Indenture and the series supplement;
- the entity expressly assumes all of our obligations and succeeds to all of our rights under the Sale Agreement, Servicing Agreement and any other basic document to which we are a party;
- no default, event of default or servicer default under the Indenture has occurred and is continuing immediately after the merger or consolidation;
- the Rating Agency Condition will have been satisfied with respect to the merger or consolidation;
- we have delivered to ERCOT, the Trustee and the rating agencies an opinion or opinions of outside tax counsel (as selected by us, in form and substance reasonably satisfactory to ERCOT and the Trustee, and which may be based on a ruling from the IRS) to the effect that the consolidation or merger will not result in a material adverse federal or state income tax consequence to us, ERCOT, the Trustee or the then existing holders of 2025 M Bonds;
- any action as is necessary to maintain the lien and the first priority perfected security interest in the collateral created by the Indenture and the series supplement has been taken, as evidenced by an opinion of counsel of external counsel; and
- we have delivered to the Trustee an officer's certificate and an opinion of counsel of external counsel, each stating that all conditions precedent in the Indenture provided for relating to the transaction have been complied with.

We may not sell, convey, exchange, transfer or otherwise dispose of any of our properties or assets included in the collateral to any person or entity, unless the person or entity acquiring the properties and assets:

- is a United States citizen or an entity organized under the laws of the United States or any state;
- expressly assumes, by a supplemental indenture, the performance or observance of all of our agreements and covenants under the Indenture and the series supplement;
- expressly agrees by the supplemental indenture that all right, title and interest so conveyed or transferred will be subject and subordinate to the rights of holders of 2025 M Bonds;
- unless otherwise specified in the supplemental indenture referred to above, expressly agrees to indemnify, defend and hold us and the Trustee harmless against and from any loss, liability or expense arising under or related to the Indenture, the series supplement and the 2025 M Bonds (including the enforcement cost of such indemnity);
- expressly agrees by means of the supplemental indenture that the person (or if a group of persons, then one specified person) will make all filings with the Trustee (and any other appropriate person) required by the Indenture in connection with the 2025 M Bonds;

- if such sale, conveyance, exchange, transfer or disposal relates to our rights and obligations under the Sale Agreement or the Servicing Agreement, such person or entity assumes all obligations and succeeds to all of our rights under the Sale Agreement, and the Servicing Agreement, as applicable;

- no default, event of default or servicer default under the Indenture has occurred and is continuing immediately after the transactions;

- the Rating Agency Condition has been satisfied with respect to such transaction;

- we have delivered to ERCOT, the Trustee and the rating agencies an opinion or opinions of outside tax counsel (as selected by us, in form and substance reasonably satisfactory to ERCOT and the Trustee, and which may be based on a ruling from the IRS) to the effect that the disposition will not result in a material adverse federal or state income tax consequence to us, ERCOT, the Trustee or the then existing holders of 2025 M Bonds;

- any action as is necessary to maintain the lien and the first priority perfected security interest in the collateral created by the Indenture and the series supplement has been taken as evidenced by an opinion of counsel of external counsel; and

- we have delivered to the Trustee an officer's certificate and an opinion of counsel of external counsel, each stating that the conveyance or transfer complies with the Indenture and the series supplement and all conditions precedent therein provided for relating to the transaction have been complied with.

We will not, among other things, for so long as any 2025 M Bonds are outstanding:

- except as expressly permitted by the Indenture, sell, transfer, exchange or otherwise dispose of any of our assets unless directed to do so by the Trustee;

- claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the 2025 M Bonds (other than amounts properly withheld from such payments under the Internal Revenue Code or other tax laws) or assert any claim against any present or former bondholder by reason of the payment of the taxes levied or assessed upon any part of the collateral;

- terminate our existence, or dissolve or liquidate in whole or in part, except as permitted above;

- permit the validity or effectiveness of the Indenture or the series supplement to be impaired;

- permit the lien of the Indenture and the series supplement to be amended, hypothecated, subordinated, terminated or discharged or permit any person to be released from any covenants or obligations with respect to the 2025 M Bonds except as may be expressly permitted by the Indenture;

- permit any lien, charge, claim, security interest, mortgage, pledge, equity or other encumbrance, other than the lien and security interest granted under the Indenture or the series supplement, to be created on or extend to or otherwise arise upon or burden the collateral or any part thereof or any interest therein or the proceeds thereof (other than tax liens arising by operation of law with respect to amounts not yet due);

- permit the lien granted under the Indenture or the series supplement not to constitute a valid first priority perfected security interest in the related collateral;

- enter into any swap, hedge or similar financial arrangement;

- elect to be classified as an association taxable as a corporation for federal tax purposes, file any tax return, make any election or take any other action inconsistent with our treatment, for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from our sole member;

- change our name, identity or structure or the location of our chief executive office, unless at least ten (10) business days prior to the effective date of any such change, we deliver to the Trustee (with copies to each rating agency)

such documents, instruments or agreements, executed by us, as are necessary to reflect such change and to continue the perfection of the security interest of the Indenture or the series supplement;

- take any action which is subject to the Rating Agency Condition if such action would result in a downgrade, suspension or withdrawal of the then-current ratings assigned to the 2025 M Bonds; or

- issue any bonds under PURA or any similar law (other than the 2025 M Bonds offered hereby).

We may not engage in any business other than financing, purchasing, owning and managing the default property and the other collateral and the redemption of the 2021 M Bonds and issuance of the 2025 M Bonds in the manner contemplated by the debt obligation order and the basic documents, or certain related activities incidental thereto.

We will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for the 2025 M Bonds permitted by the Indenture. Also, we will not, except as contemplated by the 2025 M Bonds and the basic documents, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person. We will not, except for the prior acquisition of default property as contemplated by the 2021 M Bonds and 2025 M Bonds and the basic documents, make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

We will not make any payments, distributions, dividends or redemptions to any holder of 2025 M Bonds of our equity interests in respect of that interest except in accordance with the Indenture.

We will cause the servicer to deliver to the Trustee the annual accountant's certificates, compliance certificates, reports regarding distributions and statements to holders of 2025 M Bonds required by the Servicing Agreement.

Events of Default; Rights Upon Event of Default

An "event of default" with respect to the 2025 M Bonds is defined in the Indenture as any one of the following events:

- a default for five (5) business days in the payment of any interest on any 2025 M Bond (whether such failure to pay interest is caused by a shortfall in default charges received or otherwise),

- a default in the payment of the then unpaid principal of the 2025 M Bonds on the final maturity date,

- a default in the observance or performance of any of our covenants or agreements made in the Indenture (other than defaults described above) and the continuation of any default for a period of thirty (30) days after the earlier of (i) the date that written notice of the default is given to us by the Trustee or to us and the Trustee by the holders of at least twenty-five percent (25%) in principal amount of the 2025 M Bonds then outstanding or (ii) the date that we had actual knowledge of the default,

- any representation or warranty made by us in the Indenture or in any certificate delivered pursuant to the Indenture or in connection with the Indenture having been incorrect in any material respect as of the time made, and such breach not having been cured within thirty (30) days after the earlier of (i) the date that notice of the breach is given to us by the Trustee or to us and the Trustee by the holders of at least twenty-five percent (25%) in principal amount of the 2025 M Bonds then outstanding or (ii) the date that we had actual knowledge of the default,

- certain events of bankruptcy, insolvency, receivership or liquidation, or

- a breach by the state of Texas or any of its agencies (including the Commission), officers or employers that violates or is not in accordance with the state's pledge.

If an event of default (other than a breach of the State Pledge by the state of Texas) should occur and be continuing with respect to the 2025 M Bonds, the Trustee or holders of not less than a majority in principal amount of the 2025 M Bonds then outstanding may declare the unpaid principal of the 2025 M Bonds and all accrued and unpaid interest thereon to be immediately due and payable. However, the nature of our business will result in payment of principal upon an acceleration

of the 2025 M Bonds being made as funds become available. Please read "Risk Factors—Risks Associated with the Unusual Nature of the Default Property—Foreclosure of the Trustee's lien on the default property for the 2025 M Bonds might not be practical, and acceleration of the 2025 M Bonds before maturity might have little practical effect" and "Risk Factors—You may experience material payment delays or incur a loss on your investment in the 2025 M Bonds because the source of funds for payment is limited." The holders of a majority in principal amount of the 2025 M Bonds may rescind that declaration under certain circumstances set forth in the Indenture. Additionally, the Trustee may exercise all of our rights, remedies, powers, privileges and claims against the seller or the servicer under or in connection with the Sale Agreement, the Servicing Agreement and the Administration Agreement. If an event of default as specified in the sixth bullet above has occurred, the servicer will be obligated to institute (and the Trustee, for the benefit of the holders of 2025 M Bonds, will be entitled and empowered to institute) any suits, actions or proceedings at law, in equity or otherwise, to enforce the State's pledge and to collect any monetary damages as a result of a breach thereof, and each of the servicer and the Trustee may prosecute any suit, action or proceeding to final judgment or decree. The servicer will be required to advance its own funds in order to bring any suits, actions or proceedings and, for so long as the legal actions were pending, the servicer will be required, unless otherwise prohibited by applicable law or court or regulatory order in effect at that time, to invoice and collect the default charges, perform adjustments and discharge its obligations under the Servicing Agreement. The costs of any such action would be payable by the seller pursuant to the Sale Agreement. Except for an event of default specified in the first two bullet points above, the Trustee will not be deemed to have knowledge of any event of default or a breach of representation or warranty unless a responsible officer of the Trustee has actual knowledge of the default or the Trustee has received written notice of the default in accordance with the Indenture.

If the 2025 M Bonds have been declared to be due and payable following an event of default, the Trustee may elect to have us maintain possession of all or a portion of such default property and continue to apply default charges collections as if there had been no declaration of acceleration. There is likely to be a limited market, if any, for the default property following a foreclosure, in light of the event of default, the unique nature of the default property as an asset and other factors discussed in this Offering Memorandum. In addition, the Trustee is prohibited from selling the default property following an event of default, other than a default in the payment of any principal due on the applicable maturity date *or* a default for five (5) business days or more in the payment of any interest on any 2025 M Bond, which requires the direction of holders of a majority in principal amount of the 2025 M Bonds, unless:

- the holders of 2025 M Bonds of all the outstanding 2025 M Bonds consent to the sale,

- the proceeds of the sale are sufficient to pay in full the principal of and the accrued interest on the outstanding 2025 M Bonds, or

- the Trustee determines that the proceeds of the collateral would not be sufficient on an ongoing basis to make all payments on the 2025 M Bonds as those payments would have become due if the 2025 M Bonds had not been declared due and payable, and the Trustee obtains the written consent of the holders of 2025 M Bonds of 66 2/3% of the aggregate outstanding amount of the 2025 M Bonds.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an event of default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the 2025 M Bonds at the request or direction of any of the holders of 2025 M Bonds if the Trustee reasonably believes it will not be adequately indemnified against the costs, expenses and liabilities which might be incurred by it in complying with the request. Subject to the provisions for indemnification and certain limitations contained in the Indenture:

- the holders of not less than a majority in principal amount of the outstanding 2025 M Bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee and,

- the holders of not less than a majority in principal amount of the 2025 M Bonds may, in certain cases, waive any default with respect thereto, except a default in the payment of principal or interest or a default in respect of a covenant or provision of the Indenture that cannot be modified without the consent of all of the holders of the outstanding 2025 M Bonds affected thereby.

No holder of any 2025 M Bond will have the right to institute any proceeding, to avail itself of any remedies provided in PURA or of the right to foreclose on the collateral, or otherwise to enforce the lien and security interest on the collateral or to seek the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- the bondholder previously has given to the Trustee written notice of a continuing event of default,
- the holders of not less than a majority in principal amount of the outstanding 2025 M Bonds have made written request of the Trustee to institute the proceeding in its own name as Trustee,
- the bondholder or holders of 2025 M Bonds have offered the Trustee satisfactory indemnity,
- the Trustee has for sixty (60) days failed to institute the proceeding, and
- no direction inconsistent with the written request has been given to the Trustee during the sixty (60) day period by the holders of a majority in principal amount of the outstanding 2025 M Bonds,

it being understood that the Trustee does not have an affirmative duty to ascertain whether or not any such action by a holder of 2025 M Bonds affects, disturbs, or prejudices the rights of any other holders of 2025 M Bonds or obtains or seeks to obtain priority or preference over another holder of 2025 M Bonds.

In addition, the Trustee and the servicer will covenant and each holder of 2025 M Bonds will be deemed to covenant that it will not, prior to the date which is one (1) year and one (1) day after the termination of the Indenture, institute against us or against our managers or our member or members any bankruptcy, reorganization or other proceeding under any federal or state bankruptcy or similar law, subject to the right of a Travis county, Texas district court to order sequestration and payment of revenues arising with respect to the default property.

Neither any manager nor the Trustee in its individual capacity, nor any holder of 2025 M Bonds of any ownership interest in us, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the 2025 M Bonds or for our agreements contained in the Indenture.

Actions by Holders of 2025 M Bonds

Subject to certain exceptions, the holders of not less than a majority of the aggregate outstanding amount of the 2025 M Bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, of exercising any trust or power conferred on the Trustee under the Indenture; provided that:

- the direction is not in conflict with any rule of law or with the Indenture and would not involve the Trustee in personal liability or expense;
- subject to the other conditions described above under “Events of Default; Rights Upon Event of Default”, the consent of one-hundred percent (100%) of the holders of 2025 M Bonds is required to direct the Trustee to sell the collateral (other than event of default for failure to pay interest or principal at maturity);
- if the Trustee elects to retain the collateral in accordance with the Indenture, then any direction to the Trustee by less than one-hundred percent (100%) of the holders of 2025 M Bonds will be of no force and effect; and
- the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with the direction.

In circumstances under which the Trustee is required to seek instructions from the holders of 2025 M Bonds of the 2025 M Bonds with respect to any action or vote, the Trustee will take the action or vote for or against any proposal in proportion to the principal amount of 2025 M Bonds taking the corresponding position. Notwithstanding the foregoing, the Indenture allows each holder of 2025 M Bonds to institute suit for the nonpayment of (1) the interest, if any, on its 2025 M Bonds which remains unpaid as of the applicable due date and (2) the unpaid principal, if any, of its 2025 M Bonds on the final maturity date therefor.

Annual Compliance Statement

We will file annually with the Trustee and the rating agencies a written statement as to whether we have fulfilled our obligations under the Indenture.

Satisfaction and Discharge of Indenture

The Indenture will cease to be of further effect with respect to the 2025 M Bonds and the Trustee, on our written demand and at our expense, will execute instruments acknowledging satisfaction and discharge of the Indenture with respect to the 2025 M Bonds, when:

- either (a) all 2025 M Bonds which have already been authenticated or delivered, with certain exceptions set forth in the Indenture, have been delivered to the Trustee for cancellation or (b) either (i) the scheduled final payment date has occurred with respect to all 2025 M Bonds not previously delivered to the Trustee for cancellation or (ii) we have irrevocably deposited in trust with the Trustee cash and/or U.S. government obligations in an aggregate amount sufficient to pay principal, interest and premiums, if any, on the 2025 M Bonds and all other sums payable by us with respect to the 2025 M Bonds when scheduled to be paid and to discharge the entire indebtedness on such 2025 M Bonds when due,

- we have paid all other sums payable by us under the Indenture with respect to the 2025 M Bonds, and

- we have delivered to the Trustee an officer's certificate, an opinion of external counsel, and if required by the Trust Indenture Act or the Trustee, a certificate from a firm of independent certified public accountants, each stating that there has been compliance with the conditions precedent in the Indenture relating to the satisfaction and discharge of the Indenture.

Our Legal and Covenant Defeasance Options

We may, at any time, terminate all of our obligations under the Indenture, referred to herein as the legal defeasance option, or terminate our obligations to comply with some of the covenants in the Indenture, including some of the covenants described under "—Our Covenants," referred to herein as our covenant defeasance option.

We may exercise the legal defeasance option of the 2025 M Bonds notwithstanding our prior exercise of the covenant defeasance option. If we exercise the legal defeasance option, the 2025 M Bonds will be entitled to payment only from the funds or other obligations set aside under the Indenture for payment thereof on the scheduled final payment date or redemption date therefor as described below. The 2025 M Bonds will not be subject to payment through redemption or acceleration prior to the scheduled final payment date or redemption date, as applicable. If we exercise the legal defeasance option, the final payment of the 2025 M Bonds may not be accelerated because of an event of default. If we exercise the covenant defeasance option, the final payment of the Bonds may not be accelerated because of an event of default relating to a default in the observance or performance of any of our covenants or agreements made in the Indenture.

The Indenture provides that we may exercise our legal defeasance option or our covenant defeasance option on the 2025 M Bonds only if:

- we irrevocably deposit or cause to be irrevocably deposited in trust with the Trustee cash and/or U.S. government obligations in an aggregate amount sufficient to pay principal, interest and premium, if any, on the 2025 M Bonds, other sums payable by us under the Indenture with respect to the 2025 M Bonds when scheduled to be paid and to discharge the entire indebtedness on the 2025 M Bonds when due,

- we deliver to the Trustee a certificate from a nationally recognized firm of independent certified public accountants expressing its opinion that the payments of principal and interest on the U.S. government obligations when due and without reinvestment plus any deposited cash will provide cash at times and in sufficient amounts to pay in respect of the 2025 M Bonds:

    - principal in accordance with the expected amortization schedule therefor,

    - interest when due, and

    - all other sums payable by us under the Indenture with respect to the 2025 M Bonds,

- in the case of the legal defeasance option, ninety-five (95) days pass after the deposit is made and during the ninety-five (95) day period no default relating to events of our bankruptcy, insolvency, receivership or liquidation occurs and is continuing at the end of the period,

- no default has occurred and is continuing on the day of this deposit and after giving effect thereto,

- in the case of the legal defeasance option, we deliver to the Trustee an opinion of external counsel stating that: we have received from, or there has been published by, the IRS a ruling, or since the date of execution of the Indenture, there has been a change in the applicable federal income tax law, and in either case confirming that the holders of the 2025 M Bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of the legal defeasance option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the legal defeasance had not occurred,

- in the case of the covenant defeasance option, we deliver to the Trustee an opinion of external counsel to the effect that the holders of the 2025 M Bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of the covenant defeasance option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the covenant defeasance had not occurred,

- we deliver to the Trustee a certificate of one of our officers and an opinion of external counsel, each stating that all conditions precedent to the legal defeasance option or the covenant defeasance option, as applicable, have been complied with as required by the Indenture,

- we deliver to the Trustee an opinion of external counsel to the effect that (a) in a case under the Bankruptcy Code in which ERCOT (or any of its affiliates, other than us) is the debtor, the court would hold that the deposited cash or U.S. government obligations would not be in the bankruptcy estate of ERCOT (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations); and (b) in the event ERCOT (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations), were to be a debtor in a case under the Bankruptcy Code, the court would not disregard the separate legal existence of ERCOT (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations) and us so as to order substantive consolidation under the Bankruptcy Code of our assets and liabilities with the assets and liabilities of ERCOT or such other affiliate, and

- the Rating Agency Condition has been satisfied with respect to the exercise of any legal defeasance option or covenant defeasance option.

No Recourse to Others

No recourse may be taken directly or indirectly, by the holders of the 2025 M Bonds with respect to our obligations on the 2025 M Bonds, under the Indenture or any supplement thereto or any certificate or other writing delivered in connection therewith, against (1) any owner of a beneficial interest in us (including ERCOT) or (2) any shareholder, partner, owner, beneficiary, agent, officer, director or employee of the Trustee, the managers or any owner of a beneficial interest in us (including ERCOT) in its individual capacity, or of any successor or assign or any of them in their respective individual or corporate capacities, except as any such person may have expressly agreed in writing. Each holder of 2025 M Bonds by accepting a 2025 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 2025 M Bonds.

Notwithstanding any provision of the Indenture or the series supplement to the contrary, holders of 2025 M Bonds shall look only to the 2025 M Bond collateral with respect to any amounts due to the holders of 2025 M Bonds under the Indenture and the 2025 M Bonds, and, in the event such collateral is insufficient to pay in full the amounts owed on the 2025 M Bonds, shall have no recourse against us in respect of such insufficiency. Each bondholder by accepting a 2025 M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of consideration for issuance of 2025 M Bonds.

THE TRUSTEE

U.S. Bank National Association, a national banking association, (“U.S. Bank N.A.”) will act as Trustee.

U.S. Bank N.A., made a strategic decision to reposition its corporate trust business by transferring substantially all of its corporate trust business to its affiliate, U. S. Bank Trust Company, National Association ("U.S. Bank Trust Co.") a non-depository trust company (U.S. Bank N.A. and U.S. Bank Trust Co. are collectively referred to herein as U.S. Bank). Upon U.S. Bank Trust Co.'s succession to the business of U.S. Bank N.A., it became a wholly owned subsidiary of U.S. Bank N.A. The Trustee will maintain the accounts of the Issuing Entity in the name of the Trustee at U.S. Bank N.A.

U.S. Bancorp, with total assets exceeding $676 billion as of March 31, 2025, is the parent company of U.S. Bank N.A., the fifth largest commercial bank in the United States. As of March 31, 2025, U.S. Bancorp operated over 2,100 branch offices in 26 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country with office locations in 46 domestic and 3 international cities. The Indenture will be administered from U.S. Bank's corporate trust office located at 190 S. LaSalle Street, 7th Floor, Chicago, IL 60603.

U.S. Bank has provided corporate trust services since 1924. As of March 31, 2025, U.S. Bank was acting as trustee with respect to over 154,000 issuances of securities with an aggregate outstanding principal balance of over $6.3 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

The Trustee shall make each monthly statement available to the holders of 2025 M Bonds via the Trustee's internet website at https://pivot.usbank.com. Holders of 2025 M Bonds with questions may direct them to the Trustee's bondholder services group at (800) 934-6802.

U.S. Bank serves or has served as trustee, paying agent and registrar on several issues of rate-payer backed securities.

U.S. Bank N.A. and other large financial institutions have been sued in their capacity as trustee or successor trustee for certain residential mortgage-backed securities ("RMBS") trusts. The complaints, primarily filed by investors or investor groups against U.S. Bank N.A. and similar institutions, allege the trustees caused losses to investors as a result of alleged failures by the sponsors, mortgage loan sellers and servicers to comply with the governing agreements for these RMBS trusts. Plaintiffs generally assert causes of action based upon the trustees' purported failures to enforce repurchase obligations of mortgage loan sellers for alleged breaches of representations and warranties, notify securityholders of purported events of default allegedly caused by breaches of servicing standards by mortgage loan servicers and abide by a heightened standard of care following alleged events of default.

U.S. Bank N.A. denies liability and believes that it has performed its obligations under the RMBS trusts in good faith, that its actions were not the cause of losses to investors, that it has meritorious defenses, and it has contested and intends to continue contesting the plaintiffs' claims vigorously. However, U.S. Bank N.A. cannot assure you as to the outcome of any of the litigation, or the possible impact of these litigations on the Trustee or the RMBS trusts.

On March 9, 2018, a law firm purporting to represent fifteen Delaware statutory trusts, (the, "DSTs"), that issued securities backed by student loans, (the "Student Loans"), filed a lawsuit in the Delaware Court of Chancery against U.S. Bank N.A. in its capacities as trustee and successor special servicer, and three other institutions in their respective transaction capacities, with respect to the DSTs and the Student Loans. This lawsuit is captioned The National Collegiate Student Loan Master Trust I, et al. v. U.S. Bank National Association, et al., C.A. No. 2018-0167- JRS (Del. Ch.), (the "NCMSLT Action"). The complaint, as amended on June 15, 2018, alleged that the DSTs have been harmed as a result of purported misconduct or omissions by the defendants concerning administration of the trusts and special servicing of the Student Loans.

Since the filing of the NCMSLT Action, certain Student Loan borrowers have made assertions against U.S. Bank N.A. concerning special servicing that appear to be based on certain allegations made on behalf of the DSTs in the NCMSLT Action.

U.S. Bank N.A. has filed a motion seeking dismissal of the operative complaint in its entirety with prejudice pursuant to Chancery Court Rules 12(b)(1) and 12(b)(6) or, in the alternative, a stay of the case while other prior filed disputes involving the DSTs and the Student Loans are litigated. On November 7, 2018, the Court ruled that the case should be stayed in its

entirety pending resolution of the first-filed cases. On January 21, 2020, the Court entered an order consolidating for pretrial purposes the NCMSLT Action and three other lawsuits pending in the Delaware Court of Chancery concerning the DSTs and the Student Loans, which remains pending.

U.S. Bank N.A. denies liability in the NCMSLT Action and believes it has performed its obligations as indenture trustee and special servicer in good faith and in compliance in all material respects with the terms of the agreements governing the DSTs and that it has meritorious defenses. It has contested and intends to continue contesting the plaintiffs' claims vigorously.

The Trustee may resign at any time upon thirty (30) days' prior written notice to us. The holders of 2025 M Bonds of a majority in principal amount of the Bonds then outstanding may remove the Trustee upon thirty (30) days' prior written notice to the Trustee and may appoint a successor Trustee. We will remove the Trustee if the Trustee ceases to be eligible to continue in this capacity under the Indenture, the Trustee becomes a debtor in a bankruptcy proceeding or is adjudicated insolvent, a receiver, other public officer takes charge of the Trustee or its property, the Trustee becomes incapable of acting or the Trustee fails to provide to us certain information we reasonably request which is necessary for us to satisfy our reporting obligations under the securities laws. If the Trustee resigns or is removed or a vacancy exists in the office of Trustee for any reason, we will be obligated to promptly appoint a successor Trustee eligible under the Indenture and notice of such appointment is required to be promptly given to each rating agency by the successor Trustee. No resignation or removal of the Trustee will become effective until acceptance of the appointment by a successor Trustee. We are responsible for payment of the expenses associated with any such removal or resignation.

If required by the Trust Indenture Act, the Trustee will at all times satisfy the requirements of the Trust Indenture Act and Rule 3a-7 under the 1940 Act and have a combined capital and surplus of at least $50 million and a long-term debt or issuer rating of "Baa3" or better by Moody's and "BBB-" or better by S&P. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets to, another entity, the resulting, surviving or transferee entity will without any further action be the successor Trustee.

The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided that its conduct does not constitute willful misconduct or negligence as determined by a final, non-appealable decision of a court of competent jurisdiction. We have agreed to indemnify the Trustee and its officers, directors, employees and agents against any and all loss, liability or expense (including taxes (other than taxes based upon, or measured by or determined by the income of the Trustee), court costs and attorneys' fees and expenses, the fees of experts and agents and any reasonable extraordinary out-of-pocket expenses) incurred by it in connection with the administration and the enforcement of the Indenture (including the costs and expenses of defending against any claim of liability in connection with the exercise of the Trustee's rights, powers and obligations under the Indenture and the performance of its duties thereunder and obligations under or pursuant to the Indenture and the costs of defending any claim or bringing any claim to enforce our indemnification obligations thereunder), provided that we are not required to pay any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct or negligence as determined by a final, non-appealable decision of a court of competent jurisdiction, and subject to the written consent of the Issuing Entity and certain other requirements in the case of the settlement of any action, proceeding or investigation.

TRANSFER RESTRICTIONS

The 2025 M Bonds have not been and will not be registered under the Securities Act or any state's securities laws. The 2025 M Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except to qualified institutional buyers (as defined in Rule 144A(a)(1), or **QIBs**, in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. Persons in offshore transactions in reliance on Regulation S. Terms that are defined in Rule 144A or Regulation S are used herein as defined therein.

Under the terms of the Indenture, each purchaser of 2025 M Bonds (other than the Initial Purchasers) will be deemed to have represented and agreed as follows:

1. The purchaser (A)(i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the 2025 M Bonds or interests therein for its own account or for the account of a QIB, or (B) is not a U.S. Person and is purchasing the 2025 M Bonds or interests therein in an offshore transaction pursuant to Regulation S.

2. The purchaser understands that the 2025 M Bonds and interests therein are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the issuance of the 2025 M Bonds has not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the 2025 M Bonds or any interests therein, the 2025 M Bonds (or interests therein) may not be offered, resold, pledged or otherwise transferred in denominations or its **Minimum Denomination**, of lower than $100,000, and, in each case, in integral multiples of $1,000 in excess thereof, and the 2025 M Bonds may only be offered, resold, pledged or otherwise transferred (i) in the United States to a person whom each Seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Regulation S under the Securities Act, or (iii) pursuant to another exemption from registration under the Securities Act (if available and evidenced by an opinion of counsel acceptable to the Issuing Entity and the Trustee), in each of cases (i) through (iii) in accordance with any applicable securities laws of the United States, any state of the U.S. and any other applicable jurisdiction, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of such 2025 M Bonds or interests therein from it of the resale restrictions referred to above. Notwithstanding the foregoing restriction, any 2025 M Bond that has originally been properly issued in an amount no less than the Minimum Denomination, or any interest therein, may be offered, resold, pledged or otherwise transferred in a denomination less than the Minimum Denomination if such lesser denomination is solely a result of a reduction of principal due to payments made in accordance with the Indenture.

3. The purchaser understands that the 2025 M Bonds offered in reliance on Rule 144(b)(1) under the Securities Act will, until the 2025 M Bonds may be resold pursuant to Rule 144A or under Regulation S under the Securities Act, unless otherwise agreed by the Issuing Entity and the holder thereof, bear a legend substantially to the following effect:

> THIS BOND (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND NEITHER THIS BOND NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS BOND OR ANY INTEREST HEREIN IS HEREBY NOTIFIED THAT EACH SELLER OF THIS BONDS OR INTEREST HEREIN MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS BOND OR ANY INTEREST HEREIN AGREES FOR THE BENEFIT OF THE ISSUING ENTITY THAT (A) THIS BOND AND ANY INTEREST HEREIN MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN MINIMUM DENOMINATIONS OF LOWER THAN $100,000 AND IN INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF, AND ONLY (I) IN THE UNITED STATES TO A PERSON WHOM EACH SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S, OR (III) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE AND EVIDENCED BY AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUING ENTITY AND THE TRUSTEE), IN EACH OF CASES (I) THROUGH (III) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES, ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS BOND OR ANY INTEREST HEREIN FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NOTWITHSTANDING THE FOREGOING RESTRICTION, ANY BOND THAT HAS ORIGINALLY BEEN PROPERLY ISSUED IN AN AMOUNT NO LESS THAN THE MINIMUM DENOMINATION, OR ANY INTEREST THEREIN, MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN A DENOMINATION LESS THAN THE MINIMUM DENOMINATION IF SUCH LESSER DENOMINATION IS SOLELY A RESULT OF A REDUCTION OF PRINCIPAL DUE TO PAYMENTS MADE IN ACCORDANCE WITH THE INDENTURE.

4. The purchaser understands that any 2025 M Bond offered in reliance on Regulation S will, during the 40-day distribution compliance period commencing on the day after the later of the commencement of the offering and the date of original issuance of the 2025 M Bonds, bear a legend substantially to the following effect:

THIS BOND IS A TEMPORARY GLOBAL BOND FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT WHICH IS EXCHANGEABLE FOR A PERMANENT REGULATION S GLOBAL BOND SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ORIGINAL ISSUE DATE OF THE BONDS, THIS BOND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE U.S. OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Following the 40-day distribution compliance period, interests in a Regulation S Temporary Global Bond will be exchanged for interests in a Regulation S Permanent Global Bond.

5. Each purchaser or transferee by its acquisition of a 2025 M Bond or any interest therein shall be deemed to (A) have represented and warranted that either (i) it is not, and is not, directly or indirectly, acquiring the 2025 M Bond or any interest therein (and for so long as it holds such 2025 M Bond or any interest therein will not be and will not be, directly or indirectly, acquiring the 2025 M Bond or any interest therein), for or on behalf of or with the assets of, any "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, any "plan" as defined in Section 4975 of the Code that is subject to Section 4975 of the Code or any entity whose underlying assets include plan assets of any of the foregoing by reason of an employee benefit plan's or plan's investment in such entity, (each a "Benefit Plan Investor"), or any "governmental plan" within the meaning of Section 3(32) of ERISA, a "church plan" (within the meaning of Section 3(33) of ERISA or a plan maintained outside of the U.S primarily for the benefit of persons substantially all of whom are non-resident aliens as described in Section 4(b)(4) of ERISA (a "Non-U.S.Plan"), in each case, that is subject any provision of state or local or other law that is substantially similar to Title I of ERISA or Section 4975 of the Code ("**Similar Law")**, or (ii) if the purchaser or transferee is or is acting on behalf of, or using assets of, a Benefit Plan Investor the acquisition, holding and disposition of the 2025 M Bond or any interest therein will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code and will be consistent with any applicable fiduciary duties under ERISA that may be imposed upon the purchaser or transferee and if the purchaser or transferee is, or is acting on behalf of, or using assets of, a governmental plan, church plan or Non-U.S. Plan subject to Similar Law, the acquisition, holding and disposition of the 2025 M Bond or any interest therein will not result in a violation of Similar Law and (B) acknowledged and agreed that such 2025 M Bond or any interest therein may not be acquired by any Benefit Plan Investor or governmental plan, church plan or Non-U.S. Plan subject to Similar Law unless, at any time that such 2025 M Bond or any interest therein is acquired by such Benefit Plan Investor or governmental plan, church plan or Non-U.S. Plan subject to Similar Law such 2025 M Bond is rated at least "BBB-" or its equivalent by a nationally recognized statistical rating organization and is not treated as other than indebtedness for applicable local law purposes and that such purchaser or transferee will so treat such 2025 M Bond. Please see "ERISA Considerations" in this Offering Memorandum.

SECURITY FOR THE 2025 M BONDS

General

The 2025 M Bonds issued under the Indenture will be non-recourse obligations and are payable solely from and secured solely by a pledge of and lien on the default property and the other collateral as provided in the Indenture. If and to the extent the default property and the other assets of the trust estate are insufficient to pay all amounts owing with respect to the 2025 M Bonds, then the holders of 2025 M Bonds will generally have no claim in respect of such insufficiency against us or any other person. By the acceptance of the 2025 M Bonds, the holders of 2025 M Bonds waive any such claim.

Pledge of Collateral

To secure the payment of principal of and interest on the 2025 M Bonds, we will grant to the Trustee a security interest in all of our right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property:

- the default property and all related default charges,
- our rights under the statutory true-up mechanism,

- our rights under the Sale Agreement pursuant to which we acquired the default property, and under the Bill of Sale delivered by ERCOT pursuant to the Sale Agreement,

- our rights under the Servicing Agreement, the Administration Agreement and any subservicing, agency, administration or collection agreements executed in connection therewith, to the extent related to the default property and the 2025 M Bonds,

- the collection account for the 2025 M Bonds and all subaccounts of the collection account, 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,

- all of our other property related to the 2025 M Bonds,

- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and

- all proceeds in respect of any or all of the foregoing.

The security interest does not extend to:

- amounts (including net investment earnings) on deposit in any Wholesale Market Participant's security deposit accounts that are required under the ERCOT Nodal Protocols to be returned to the applicable Wholesale Market Participant,

- amounts representing investment earnings on any subaccount that has been released to us or as we direct following retirement of 2025 M Bonds,

- amounts deposited in any subaccount that has been released to us or as we direct following retirement of 2025 M Bonds, and

- amounts deposited with us on the issuance date for payment of costs of issuance with respect to the 2025 M Bonds (together with any interest earnings thereon).

We refer to the foregoing assets in which we, as assignee of the seller, granted the Trustee a security interest as the collateral. The collateral for the 2025 M Bonds is separate from the collateral for the 2022 N Bonds and the holders of such bonds will have no recourse to the collateral for the 2025 M Bonds. The default charges relating to the 2025 M Bonds, however, will be imposed on Wholesale Market Participants in the ERCOT power region, a significant number of which are also assessed uplift charges to support the 2022 N Bonds, and forwarded to the servicer by the same Wholesale Market Participants, and subject to the same servicing procedures. Please read "How Funds in the Collection Account will be Allocated."

Security Interest in the Collateral

The Indenture creates a valid and enforceable lien and security interest in the default property and the Indenture states that it constitutes a security agreement and such security agreement is created under the terms of the UCC. On November 12, 2021, a financing statement under the UCC was filed with the Delaware Department of State. The seller represented, at the time of issuance of 2021 M Bonds, that no prior filing had been made with respect to the default property securing the 2021 M Bonds then being issued other than a filing which provided the Trustee with a first priority perfected security interest in such default property. The seller will make a similar representation at the time of the issuance of the 2025 M Bonds.

The perfection of the Trustee's security interest in the default property is subject to the UCC. The perfection of the Trustee's security interest in collateral other than from the default property is also either subject to the UCC or common law. These items consist of our rights in:

- the Sale Agreement, the Servicing Agreement, the Administration Agreement, the Intercreditor Agreement and any other basic documents,

- any funds on deposit in the collection account which do not constitute default charge collections together with all instruments, investment property or other assets on deposit therein or credited thereto and all financial assets and securities entitlements carried therein or credited thereto which do not constitute default charges collections,

- all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters-of-credit, letter-of-credit rights, money, commercial tort claims and supporting obligations and all of our other property to the extent not default property, and

- proceeds of the foregoing items.

Additionally, any contractual rights we have against Wholesale Market Participants (other than the right to impose default charges and rights otherwise included in the definition of default property) would be collateral to which the UCC applies.

As a condition to the issuance of the 2025 M Bonds, we will have made all filings and taken any other action required by the UCC or common law to perfect the lien of the Trustee in all the items included in collateral which do not constitute default property. We will also covenant to take all actions necessary to maintain or preserve the lien and security interest on a first priority basis. We will represent, along with the seller, at the time of issuance of the 2025 M Bonds, that no prior filing has been made with respect to that party under the terms of the UCC, other than a filing with respect to the 2021 M Bonds and a filing which provides the Trustee with a lien and first priority perfected security interest in the collateral.

Description of Indenture Accounts

Collection Account

Pursuant to the Indenture, we will establish for the 2025 M Bonds a segregated trust account in the name of the Trustee with an eligible institution called the collection account. The collection account will be under the sole dominion and exclusive control of the Trustee. The Trustee will hold the collection account for our benefit as well as for the benefit of the holders of 2025 M Bonds. The collection account for the 2025 M Bonds will consist of three subaccounts: a general subaccount, an excess funds subaccount, and a supplemental capital subaccount, which need not be separate bank accounts. For administrative purposes, the subaccounts may be established by the Trustee as separate accounts which will be recognized individually as subaccounts and collectively as the collection account. All amounts in the collection account not allocated to any other subaccount will be allocated to the general subaccount. Unless the context indicates otherwise, references in this Offering Memorandum to the collection account include the collection account and each of the subaccounts contained therein.

The following institutions are eligible institutions for the establishment of the collection account:

(i) the corporate trust department of the Trustee, so long as the Trustee has either a short- term bank deposit credit rating from Moody's of at least P-1 or a long term bank deposit credit rating from Moody's of at least A2 and have a credit rating from S&P in one of its generic rating categories which signifies investment grade and the Trustee is a bank or depository institution organized under the laws of the United States or any state thereof or any United States branch or agency of a foreign bank or depository institution that is subject to supervision and examination by federal or state banking authorities that is authorized under those laws to act as a trustee or in any other fiduciary capacity, whose deposits are insured by the FDIC; or

(ii) U.S. Bank National Association or a depository institution organized under the laws of the United States of America or any U.S. state (or any domestic branch of a foreign bank), which (i) has either (A) a long-term issuer rating of "AA" or higher by S&P and "A1" or higher by Moody's or (B) a short-term issuer rating of "A-1+" or higher by S&P and "P-1" or higher by Moody's, or any other long-term, short-term or certificate of deposit rating acceptable to the rating agencies and (ii) whose deposits are insured by the FDIC.

Permitted Investments for Funds in the Collection Account.

Funds in the collection account and the Wholesale Market Participants' deposit accounts may be invested only in such investments as meet the criteria described below and which mature on or before the business day preceding the next payment date:

- direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America,

- demand deposits, time deposits, certificates of deposit and bankers' acceptances of eligible institutions,

- commercial paper (other than commercial paper issued by ERCOT or any of its affiliates) having, at the time of investment or contractual commitment to invest, a rating of not less than A- 1 and P-1 or their equivalents by each of S&P and Moody's,

- money market funds which have the highest rating from Moody's and S&P,

- repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or certain of its agencies or instrumentalities, entered into with eligible institutions,

- repurchase obligations with respect to any security or whole loan entered into with an eligible institution or a registered broker-dealer, acting as principal and that meets certain ratings criteria, or

- any other investment permitted by each rating agency.

The Trustee will have access to the collection account for the purpose of making deposits in and withdrawals from the collection account in accordance with the Indenture. The servicer will select the eligible investments in which funds will be invested, unless otherwise directed by us.

The servicer will remit default charge payments to the collection account in the manner described under "The Servicing Agreement—Remittances to Collection Account."

General Subaccount

The general subaccount will hold all funds held in the collection account that are not held in the other two subaccounts. The servicer will remit all default charge payments to the general subaccount. On each payment date, the Trustee will draw on amounts in the general subaccount to pay our expenses and to pay interest and make scheduled payments on the 2025 M Bonds, and to make other payments and transfers in accordance with the terms of the Indenture. Funds in the general subaccount will be invested in the eligible investments described above.

Excess Funds Subaccount

The Trustee, at the written direction of the servicer, will allocate to the excess funds subaccount default charge collections available with respect to any payment date in excess of amounts necessary to make the payments specified on such payment date. The excess funds subaccount will also hold all investment earnings on the collection account in excess of such amounts.

Supplemental Capital Subaccount

In connection with the issuance of the 2025 M Bonds, we established the supplemental capital account in an amount equal to 0.50% of the initial aggregate principal amount of the 2025 M Bonds. This amount has been funded and it will not be funded from the proceeds of the sale of the 2025 M Bonds. In the event that amounts on deposit in the general subaccount and the excess funds subaccount are insufficient to make scheduled payments of principal and interest on the 2025 M Bonds and payments of fees and expenses contemplated by the first eight bullets under "How Funds in the Collection Account will be Allocated," below, the Trustee will draw on amounts in the supplemental capital subaccount to make such payments up to the lesser of the amount of such insufficiency and the amounts on deposit in the supplemental capital subaccount. In the event of any such withdrawal, collected default charges available on any subsequent payment date that are not necessary to pay scheduled payments of principal and interest on the 2025 M Bonds and payments of fees and expenses will be used to replenish any amounts drawn from the supplemental capital subaccount. If the 2025 M Bonds have been retired as of any payment date, the amounts on deposit in the supplemental capital subaccount will be released to us, free of the lien of the Indenture.

Security deposit Accounts

Deposits received from Wholesale Market Participants will be held by the Issuing Entity in the security deposit accounts. Amounts in the security deposit accounts and other forms of credit support provided by Wholesale Market Participants are not our property. Rather, amounts in the security deposit accounts and other forms of credit support will only be available to make payments of default charges in the event that a Wholesale Market Participant defaults in payment, in which case pursuant to the Servicing Agreement, the servicer may withdraw the amount of the payment default from the applicable Wholesale Market Participant's security deposit account or, if less, the amount of that Wholesale Market Participant's security deposit or seek recourse against any other credit support for such amount. Amounts in the security deposit accounts will be invested in the eligible investments described above.

How Funds in the Collection Account will be Allocated

On each payment date for the 2025 M Bonds, the Trustee will allocate or pay, solely at the written direction of the servicer, all amounts on deposit in the general subaccount of the collection account (including investment earnings thereon) to pay the following amounts in the following priority:

(1) amounts owed by us to the Trustee for the Trustee's fees and expenses and any outstanding indemnity amounts owed to the Trustee in an amount not to exceed the Trustee Cap; provided, however, that any amounts in excess of the Trustee Cap that are unpaid pursuant to the Trustee Cap shall remain due and owing to the Trustee or Securities Intermediary and payable in the following year and each subsequent year thereafter until repaid in full; provided, further, that the Trustee Cap shall be disregarded and inapplicable upon the acceleration of the 2025 M Bonds following the occurrence and continuation of an event of default;

(2) the servicing fee and any unpaid servicing fees from prior payment dates as described under "The Servicing Agreement — Servicing Compensation," to the servicer;

(3) the administration fee and the fees owed to our Independent Managers, plus any unpaid administration fees and fees owed to any Independent Managers from prior payment dates;

(4) all of our other ordinary periodic operating expenses, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the Administration Agreement and of the servicer under the Servicing Agreement;

(5) interest then due on the 2025 M Bonds, including any past-due interest;

(6) principal then due and payable on the 2025 M Bonds as a result of acceleration upon an event of default or on the final maturity date for the 2025 M Bonds;

(7) scheduled principal payments of the 2025 M Bonds according to the expected amortization schedule, including any overdue scheduled principal payments, paid pro rata among the 2025 M Bonds if there is a deficiency;

(8) any remaining unpaid fees, expenses and indemnity amounts owed to the Trustee;

(9) any other unpaid operating expenses and any remaining amounts owed pursuant to the basic documents;

(10) replenishment of any amounts drawn from or other shortfalls in the supplemental capital subaccount;

(11) allocation of the remainder, if any, to the excess funds subaccount for distribution on subsequent payment dates; and

(12) after the 2025 M Bonds have been paid in full and discharged, the balance, together with all amounts in the supplemental capital subaccount and the excess funds subaccount, to ERCOT free and clear of the lien of the Indenture.

If on any payment date funds on deposit in the general subaccount of the collection account are insufficient to make the payments contemplated by clauses (1) through (9) above, the Trustee will first, draw from amounts on deposit in the excess

funds subaccount and, second, draw from amounts on deposit in the supplemental capital subaccount up to the amount of the shortfall, in order to make those payments in full. If the Trustee uses amounts on deposit in the supplemental capital subaccount to pay those amounts or make those transfers, as the case may be, subsequent adjustments to the default charges will take into account, among other things, the need to replenish those amounts. In addition, if on any payment date funds on deposit in the general subaccount are insufficient to make the transfers described in clause (10) above, the Trustee will draw from amounts on deposit in the excess funds subaccount to make such transfers. Please read "Risk Factors—Other Risks Associated with an Investment in the 2025 M Bonds—ERCOT's indemnification obligations under the sale and Servicing Agreements are limited and might not be sufficient to protect your investment in the 2025 M Bonds."

If, on any payment date, available collections of the default charges, together with available amounts in the subaccounts, are not sufficient to pay interest due on all outstanding 2025 M Bonds on that payment date, amounts available will be allocated pro rata based on the amount of interest payable. If, on any payment date, remaining collections of the default charges, together with available amounts in the subaccounts, are not sufficient to pay principal due and payable on all outstanding 2025 M Bonds on that payment date, amounts available will be allocated pro rata based on the principal amount then due and payable.

State Pledge

Section 39.609 of PURA provides: "Debt obligations issued pursuant to this subchapter, 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 state pledges, however, for the benefit and protection of financing parties and the independent organization that it will not take or permit any action that would impair the value of the 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 this subchapter is authorized to include this pledge in any documentation relating to the obligation."

The holders of 2025 M Bonds and the Trustee, for the benefit of such holders of 2025 M Bonds, will be entitled to the benefit of the pledges and agreements of the state of Texas set forth in Section 39.609 of PURA and we are authorized to include these pledges and agreements in any contract with such holders of 2025 M Bonds, the Trustee or with any assignees pursuant to PURA. We have included these pledges and agreements in the Indenture and the 2025 M Bonds for the benefit of the Trustee and the holders of 2025 M Bonds, and acknowledge that any purchase by a bondholder of a 2025 M Bond is made in reliance on these agreements and pledges of the state of Texas. Additionally, pursuant to Subchapter M, the debt obligation order is irrevocable and not subject to reduction, impairment or adjustment by further action of the Commission.

WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS FOR THE 2025 M BONDS

The rate of principal payments, the amount of each interest payment and the actual final payment date of the 2025 M Bonds and the weighted average life thereof will depend primarily on the timing of receipt of collected default charges by the Trustee and the statutory true-up mechanism. The amount of default charges to be collected from each Wholesale Market Participant shall be determined by the servicer in order to collect sufficient default charges to make timely payments of principal interest and ongoing costs. The aggregate amount of collected default charges and the rate of principal amortization on the 2025 M Bonds will depend, in part, on the rate of delinquencies and write-offs. The default charges are required to be adjusted from time to time based in part on the actual rate of collection of default charges. However, we can give no assurance that the servicer will be able to forecast accurately the rate of delinquencies and write-offs or to implement adjustments to the default charges that will cause collected default charges to be received at any particular rate. Please read "Risk Factors—Servicing Risks," "Servicing Risks—Inaccurate consumption forecasting might reduce scheduled payments on the 2025 M Bonds" and "ERCOT's Debt Obligation Order—Statutory True-Ups."

The 2025 M Bonds may be retired later than expected. Except in the event of an acceleration of the final payment date of the 2025 M Bonds after an event of default, however, the 2025 M Bonds will not be paid at a rate faster than that contemplated in the expected amortization schedule for the 2025 M Bonds even if the receipt of collected default charges is accelerated. Instead, receipts in excess of the amounts necessary to amortize the 2025 M Bonds in accordance with the applicable expected amortization schedules, to pay interest and related fees and expenses and to fund subaccounts of the collection account will be allocated to the excess funds subaccount. Amounts on deposit in the excess funds subaccount will be taken into consideration in calculating the next true-up adjustment. Acceleration of the final maturity date after an event of default in accordance with the terms thereof will result in payment of principal earlier than the related scheduled

final payment dates. A payment on a date that is earlier than forecast might result in a shorter weighted average life, and a payment on a date that is later than forecast might result in a longer weighted average life. In addition, if a larger portion of the delayed payments on the 2025 M Bonds is received in later years, the 2025 M Bonds may have a longer weighted average life.

Weighted Average Life Sensitivity

Weighted average life refers to the average amount of time from the date of issuance of a security until each dollar of principal of the security has been repaid to the investor. The rate of principal payments on the 2025 M Bonds, the aggregate amount of each interest payment on the 2025 M Bonds and the actual final payment date of the 2025 M Bonds will depend on the amounts and the timing of the servicer's receipt of default charges from Wholesale Market Participants. Wholesale Market Participants will be required to pay default charges in the amount invoiced regardless of the amount of electricity actually consumed by customers of the ERCOT System. As a result, any variation between forecast levels and actual electricity usage should not impact timely repayment of principal and interest on and ongoing costs for the 2025 M Bonds.

THE SALE AGREEMENT

The following summary describes particular material terms and provisions of the Sale Agreement pursuant to which we purchased default property from ERCOT, the seller. The Sale Agreement was entered into between ERCOT, as the seller, and us on November 12, 2021 in connection with the issuance of the 2021 M Bonds. For more information regarding the Sale Agreement see "Where Prospective Investors Can Find More Information" in this Offering Memorandum.

Sale and Assignment of the Default Property

On November 12, 2021, the seller sold the default property to us. We financed the purchase of the default property through the issuance of the 2021 M Bonds. On that date, the seller sold to us, without recourse, its entire right, title and interest in and to the default property. The default property includes all of the seller's rights under the debt obligation order, including, to the fullest extent permitted by applicable law, the right to impose, collect and receive default charges and the assignment of all revenues, collections, claims, rights, payments, money or proceeds of or arising from the default charges related to the default property.

Under Subchapter M, all rights and interests under the debt obligation order became default property upon transfer of such rights to us by ERCOT in connection with the issuance of the 2021 M Bonds. The default property constitutes our present property right for purposes of contracts concerning the sale or pledge of property. Under Subchapter M, the sale of the default property constituted a true sale under state law whether or not:

- we have any recourse against ERCOT,
- ERCOT retains any equity interest in the default property under state law,
- ERCOT acts as a collector of default charges relating to the default property, or
- ERCOT treats the transfer as a financing for tax, financial reporting or other purposes.

In connection with the issuance of the 2021 M Bonds, upon the issuance of the debt obligation order, the execution and delivery of the Sale Agreement and the related Bill of Sale and the filing of a notice with the Texas Secretary of State in accordance with the rules prescribed under PURA, the transfer of the default property was perfected as against all third persons, including subsequent judicial or other lien creditors.

Conditions to the Sale of Default Property

Our obligation to purchase and the seller's obligation to sell default property was subject to the satisfaction of each of the following conditions which were deemed satisfied as of the issuance date of the 2021 M Bonds:

- on or prior to the issuance date for the 2021 M Bonds, the seller was required to deliver to us a duly executed Bill of Sale identifying default property conveyed on that date;

- on or prior to the issuance date for the 2021 M Bonds, the seller was required to have received the debt obligation order from the Commission creating the default property;

- as of the issuance date for the 2021 M Bonds, the seller was required to not be insolvent and to not be made insolvent by the sale of default property to us, and the seller was required to not be aware of any pending insolvency with respect to itself;

- as of the issuance date for the 2021 M Bonds, the representations and warranties of the seller in the Sale Agreement were required to be true and correct (except to the extent they related to an earlier date), the seller was required to not have breached any of its covenants in such Sale Agreement, and the servicer was required to not be in default under the Servicing Agreement;

- as of the issuance date for the 2021 M Bonds, we were required to have, and did have, sufficient funds available to pay the purchase price for the default property to be conveyed and all conditions to the issuance of the 2021 M Bonds intended to provide the funds to purchase the default property set forth in the Indenture must have been satisfied or waived;

- on or prior to the issuance date for the 2021 M Bonds, the seller was required to have taken all action required to transfer ownership of default property to be conveyed to us, free and clear of all liens other than liens created by us pursuant to the basic documents and to perfect such transfer including, without limitation, filing any statements or filings under the Uniform Commercial Code; and we or the servicer, on our behalf, were required to have taken any action required for us to grant the Trustee a lien and first priority perfected security interest in the collateral and maintain that security interest as of the issuance date;

- the seller was required to receive and deliver to us and the Trustee an opinion or opinions of outside tax counsel (as selected by the seller, and in form and substance reasonably satisfactory to us and the initial purchasers of the 2021 M Bonds) to the effect that: (i) we will not be subject to United States federal income tax as an entity separate from our sole owner and that the 2021 M Bonds will be treated as debt of our sole owner for U.S. federal income tax purposes and (ii) for U.S. federal income tax purposes, the issuance of the 2021 M Bonds would not result in gross income to the seller;

- on and as of the issuance date of the 2021 M Bonds, our LLC agreement, the Servicing Agreement, the Sale Agreement, the Indenture, the series supplement related to the 2021 M Bonds, PURA, Subchapter M and the debt obligation order authorizing the collection of the default charges were required to be and were in full force and effect; and

- the seller was required to deliver to us and to the Trustee an officers' certificate confirming the satisfaction of each of these conditions.

Seller Representations and Warranties

In the Sale Agreement, the seller represented and warranted to us, as of the issuance date of the 2021 M Bonds, and will reaffirm and ratify such representations and warranties in connection with and as they relate to the issuance of the 2025 M Bonds, including, among other things, that:

- no portion of the default property had been sold, transferred, assigned or pledged or otherwise conveyed by the seller to any person other than us and immediately prior to the sale of the default property, the seller owned the default property free and clear of all liens and rights of any other person, and no offsets, defenses or counterclaims existed or had been asserted with respect to the default property;

- on the issuance date of the 2021 M Bonds, immediately upon the sale under the Sale Agreement, the default property transferred on the transfer date was validly transferred and sold to us, we own the default property free and clear of all liens (except for liens created by the basic documents to secure the 2025 M Bonds) and all filings and action to be made or taken by the seller (including filings with the Secretary of state of Texas) necessary in any jurisdiction to give us a perfected ownership interest (subject to any lien created by us in your favor under the basic documents) in the default property have been made or taken;

- subject to the clause below regarding assumptions used in calculating the default charges as of the issuance date of the 2025 M Bonds, all written information, as amended or supplemented from time to time, provided by the seller to us with respect to the default property (including the expected amortization schedule, the debt obligation order and the issuance advice letter relating to the default property) was true and correct in all material respects;

- under the laws of the state of Texas (including PURA) and the United States in effect on the issuance date of the 2025 M Bonds:

  - the debt obligation order pursuant to which the rights and interests of the seller were created, including the right to impose, collect and receive the default charges and, the interest in and to the default property, had become final and non-appealable and was in full force and effect;

  - as of the issuance of the 2025 M Bonds, those bonds are entitled to the protection provided in PURA and, accordingly, the debt obligation order, default charges and issuance advice letter are not revocable by the Commission;

  - the process by which the debt obligation order was approved and the debt obligation order and issuance advice letter related to the 2025 M Bonds comply with all applicable laws and regulations;

  - the issuance advice letter related to the 2025 M Bonds was filed in accordance with the debt obligation order and an officer of the seller had provided the certification to the Commission required by such issuance advice letter; and

  - no other approval, authorization, consent, order or other action of, or filing with any governmental authority was required in connection with the creation of the default property, except those that had been obtained or made;

  - under PURA, the state of Texas pledged that it will not take or permit any action that would impair the value of the default property, or, except for true-up adjustments made in accordance with Subchapter M and the debt obligation order, reduce, alter, or impair the default charges relating to such default property until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related bonds have been paid and performed in full, and consequently the state of Texas could not constitutionally take any action of a legislative character, including the repeal or amendment of Subchapter M, which would substantially limit, alter or impair the default property or other rights vested in the bondholders pursuant to the debt obligation order, or substantially limit, alter, impair or reduce the value or amount of the default property, unless that action is a reasonable exercise of the state of Texas's sovereign powers and of a character reasonable and appropriate to further a legitimate public purpose, and, under the takings clauses of the Texas and United States Constitutions, the state of Texas could not repeal or amend Subchapter M or take any other action in contravention of its pledge and agreement quoted above without paying just compensation to the bondholders, as determined by a court of competent jurisdiction, if doing so would constitute a permanent appropriation of a substantial property interest of the bondholders in the default property and deprive the bondholders of their reasonable expectations arising from their investments in the 2025 M Bonds; however, there is no assurance that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal and interest on the 2025 M Bonds;

- based on information available to the seller on the issuance date of the 2025 M Bonds, the assumptions used in calculating the default charges as of such date were reasonable and were made in good faith; however, notwithstanding the foregoing, ERCOT made no representation or warranty, express or implied, that amounts actually collected arising from those default charges would in fact be sufficient to meet the payment obligations on the 2025 M Bonds or that the assumptions used in calculating such default charges would in fact be realized;

- upon the effectiveness of the debt obligation order and the issuance advice letter related to the 2025 M Bonds with respect to the transferred default property and the transfer of such default property to us:

  - the rights and interests of the seller under the debt obligation order, including the right to impose, collect and receive the default charges established in the debt obligation order, would become default property;

  - the default property constitutes a present property right vested in us;

    - the default property includes the right, title and interest of the seller in the debt obligation order and the default charges, the right to impose, collect and make periodic true-ups (with respect to adjustments, in the manner and with the effect provided in the Servicing Agreement) of the default charges, and other charges authorized by the debt obligation order and all revenues, claims, payments, money or proceeds of or arising from the default charges;

    - the owner of the default property is legally entitled to invoice default charges and collect payments in respect of the default charges in the aggregate sufficient to pay the interest on and principal of the 2025 M Bonds in accordance with the Indenture, to pay the fees and expenses of servicing the 2025 M Bonds, to replenish the supplemental capital subaccount to the required capital level until the 2025 M Bonds are paid in full or until the last date permitted for the collection of payments in respect of the default charges under the debt obligation order, whichever is earlier, and the customer class allocation percentages in the debt obligation order do not prohibit the owner of the transferred default property from obtaining adjustments and effecting allocations to the default charges in order to collect payments of such amounts; and

    - the default property was then not subject to any lien other than the lien created by the basic documents;

- the seller is a corporation duly organized and in good standing under the laws of the state of Texas, with the requisite corporate power and authority to own its properties and conduct its business as then owned or conducted;

- the seller has the requisite corporate power and authority to obtain the debt obligation order and to own the rights and interests under the debt obligation order relating to the 2025 M Bonds, to sell and assign those rights and interests to us, whereupon (subject to the effectiveness of the related issuance advice letter) such rights and interests would become default property;

- the seller was then duly qualified to do business and in good standing, and had obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business shall require qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the seller's business, operations, assets, revenues or properties).

- the seller then had the requisite corporate power and authority to execute and deliver the Sale Agreement and to carry out its terms, and the execution, delivery and performance of the Sale Agreement had been duly authorized by the seller by all necessary corporate action;

- the Sale Agreement constitutes a legal, valid and binding obligation of the seller, enforceable against it in accordance with its terms, subject to customary exceptions relating to bankruptcy, creditor's rights and equitable principles;

- the consummation of the transactions contemplated by the Sale Agreement and the fulfillment of its terms do not (a) conflict with or result in a breach of any of the terms or provisions of or otherwise constitute (with or without notice or lapse of time) a default under the seller's organizational documents or any indenture, or other agreement or instrument to which the seller is a party or by which it or any of its property is bound, (b) result in the creation or imposition of any lien upon the seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any liens that may be granted in favor of the Trustee for the benefit of the bondholders of the 2025 M Bonds or any liens created by us pursuant to Subchapter M, the debt obligation order, or the basic documents) or (c) violate any existing law or any existing order, rule or regulation applicable to the seller of any government authority having jurisdiction over the seller or its properties;

- no proceeding was then pending and, to the seller's knowledge, no proceeding was then threatened and, to the seller's knowledge, no investigation was then pending or threatened before any governmental authority having jurisdiction over the seller or its properties involving or relating to the seller or to the Issuing Entity or, to the seller's knowledge, any other person:

    - asserting the invalidity of Subchapter M, the debt obligation order, the Sale Agreement, the 2025 M Bonds and the other basic documents;

    - seeking to prevent the issuance of the 2025 M Bonds or the consummation of any of the transactions contemplated by the other basic documents;

    - seeking a determination that could reasonably be expected to materially and adversely affect the performance by the seller of its obligations under, or the validity or enforceability of, Subchapter M, the debt obligation order, the 2025 M Bonds, the basic documents; or

    - seeking to adversely affect the federal income tax or state income or franchise tax classification of the 2025 M Bonds as debt;

- except for financing statements under the Uniform Commercial Code and other filings under PURA, no governmental approvals, authorizations, consents, orders or other actions or filings with any governmental authority were then required for the seller to execute, deliver and perform its obligations under the Sale Agreement except those which had previously been obtained or made or were required to be made by the servicer in the future pursuant to the Servicing Agreement;

- there was then no order by any court providing for the revocation, alteration, limitation or other impairment of Subchapter M, the debt obligation order, the issuance advice letter, the default property or the default charges or any rights arising under any of them or that sought to enjoin the performance of any obligations under the debt obligation order; and

- at the time of the issuance of the 2025 M Bonds, and recognizing the sale of the default property under the Sale Agreement, ERCOT:

    - was solvent and expected to remain solvent;

    - was adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purposes;

    - was not engaged and did not expect to engage in a business for which its remaining property represented an unreasonably small portion of its capital;

    - reasonably believed that it would be able to pay its debts as they become due; and

    - was able to pay its debts as they mature and did not intend to incur, or believes that it would not incur, indebtedness that it would not be able to repay at its maturity.

The seller did not make any representation or warranty, express or implied, that billed default charges would be actually collected from Wholesale Market Participants.

Certain of the representations and warranties that the seller made in the Sale Agreement involved conclusions of law. The seller made those representations and warranties in order to reflect the understanding of the basis on which we issued the 2021 M Bonds and will issue the 2025 M Bonds and to reflect the agreement that if this understanding proves to be incorrect, the seller will be obligated to indemnify us, subject to certain limitations.

The representations and warranties made by the seller survive the execution and delivery of the Sale Agreement, and our pledge of the default property to the Trustee. The seller will not be in breach of any representation or warranty as a result of any change in law occurring after the issuance date with respect to the 2025 M Bonds, including by means of any legislative enactment, constitutional amendment or voter initiative that renders any of the representations or warranties untrue.

Covenants of the Seller

In the Sale Agreement, the seller made the following covenants to us, and will ratify such covenants in connection with the issuance of the 2025 M Bonds:

- Subject to its right to assign its rights and obligations to a successor under the Sale Agreement, so long as any of the 2025 M Bonds are outstanding, the seller will (a) keep in full force and effect its existence and remain in good standing under the laws of the jurisdiction of its organization, (b) obtain and preserve its qualifications to do business in those jurisdictions necessary to protect the validity and enforceability of the Sale Agreement and the other basic documents or to the extent necessary to perform its obligations under the Sale Agreement and the other basic documents and (c) continue to operate as an independent organization certified under PURA for the ERCOT power region.

- Except for the conveyances under the Sale Agreement or any lien for the benefit of us, the holders of 2025 M Bonds or the Trustee under the 2025 M Bonds, the seller will not sell, pledge, assign or transfer, or grant, create, incur, assume or suffer to exist any lien on, any of the default property, or any interest therein, and the seller will defend the right, title and interest of us and of the Trustee on behalf of the bondholders under the 2025 M Bonds in, to and under the default property against all claims of third parties claiming through or under the seller. The seller also covenants that, in its capacity as seller, it will not at any time assert any lien against, or with respect to, any of the default property.

- If the seller receives any payments in respect of the default charges or the proceeds thereof other than in its capacity as the servicer, the seller agrees to pay all those payments to the servicer, on behalf of us, and to hold such amounts in trust for us and the Trustee under the 2025 M Bonds prior to such payment. If the seller becomes a party to any future trade receivables purchase and sale arrangement or similar arrangement under which it sells all or any portion of its accounts receivables, the seller and the other parties to such arrangement shall enter into an intercreditor agreement in connection therewith and the terms of the documentation evidencing such trade receivables purchase and sale arrangement or similar arrangement shall expressly exclude default charges from any receivables or other assets pledged or sold under such arrangement.

  If the seller enters into a sale agreement selling to another seller affiliate default property, or property similar to default property, consisting of nonbypassable charges payable by Wholesale Market Participants comparable to those sold by the seller pursuant to the sale agreement, the Rating Agency Condition must be satisfied with respect to the 2025 M Bonds prior to or coincident with such sale and the issuance of any related additional bonds, and the seller will either cause the issuer, servicer and trustee for such additional bonds to become parties to the Intercreditor Agreement or to enter into a new intercreditor agreement, with similar terms, with us, the Trustee and the servicer of the 2025 M Bonds and the issuer, trustee, and servicer for any other outstanding additional bonds, as described in “Security for the 2025 M Bonds – Intercreditor Agreement.”

- The seller will notify us and the Trustee under the 2025 M Bonds promptly after becoming aware of any lien on any of the default property, other than the conveyances under the Sale Agreement, or any lien under the basic documents, Subchapter M, the debt obligation order, or the UCC in favor of the Trustee for the benefit of the bondholders under the 2025 M Bonds.

- The seller agrees to comply with its organizational or governing documents and all laws, treaties, rules, regulations and determinations of any governmental authority applicable to it, except to the extent that failure to so comply would not materially adversely affect our or the Trustee’s interests in the default property or under the basic documents to which the seller is a party or the seller’s performance of its obligations under the basic documents to which the seller is a party.

- So long as any of the 2025 M Bonds are outstanding, the seller will:

  - treat the default property as our property for all purposes other than for financial reporting, state or federal regulatory or tax purposes;

  - treat the 2025 M Bonds as indebtedness of the seller secured by the collateral unless otherwise required by appropriate taxing authorities;

- disclose in its financial statements that we and not the seller are the owner of the default property and that our assets are not available to pay creditors of the seller or its affiliates (other than us);

- not own or purchase any 2025 M Bonds; and

- disclose the effects of all transactions between us and the seller in accordance with generally accepted accounting principles.

- The seller agrees that, as a result of the sale by the seller of default property to us pursuant to the Sale Agreement:

  - to the fullest extent permitted by law, including applicable Commission regulations and Subchapter M, we have all of the rights originally held by the seller with respect to the default property, including the right (subject to the terms of the Servicing Agreement) to exercise any and all rights and remedies to collect any amounts payable by any Wholesale Market Participant in respect of the default property, notwithstanding any objection or direction to the contrary by the seller (and the seller agrees not to make any such objection or to take any such contrary action), and

  - any payment by any Wholesale Market Participant to us will discharge that Wholesale Market Participant's obligations, if any, in respect of the default property to the extent of that payment, notwithstanding any objection or direction to the contrary by the seller.

- So long as any of the 2025 M Bonds are outstanding:

  - in all proceedings relating directly or indirectly to the default property, the seller will affirmatively certify and confirm that it has sold all of its rights and interests in and to such property (other than for financial reporting or tax purposes), and will not make any statement or reference in respect of the default property that is inconsistent with our ownership interest (other than for financial accounting, state or regulatory or tax purposes),

  - the seller will not take any action in respect of the default property except solely in its capacity as servicer pursuant to the Servicing Agreement or as otherwise contemplated by the basic documents,

  - if any outstanding 2025 M Bonds are then rated by one or more rating agencies, the seller will not sell default property, or other similar property, under a separate order in connection with the issuance of additional Subchapter M bonds unless the Rating Agency Condition has been satisfied, and

  - neither the seller nor the Issuing Entity will make any election, file any tax return, or make any election inconsistent with the treatment of the Issuing Entity, for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from the seller (or, if relevant, from another sole owner of us, as the Issuing Entity).

- The seller will execute and file the filings required by law to fully preserve, maintain, protect and perfect our ownership interest in and the lien on the default property in favor of the Trustee for the 2025 M Bonds including all filings required under the Uniform Commercial Code relating to the transfer of the ownership of the rights and interests related to the 2025 M Bonds under the debt obligation order by the seller to us and the pledge of the default property to the Trustee. The seller will institute any action or proceeding necessary to compel performance by the Commission, the state of Texas or any of their respective agents of any of their obligations or duties under Subchapter M, the debt obligation order or any issuance advice letter. The seller also will take those legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in each case, as may be reasonably necessary (i) to protect us, the holders of 2025 M Bonds and the Trustee from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation or warranty of the seller in the Sale Agreement and (ii) to block or overturn any attempts to cause a repeal of, modification of or supplement to Subchapter M, the debt obligation order, any issuance advice letter or the rights of holders of 2025 M Bonds, as applicable, by legislative enactment or constitutional amendment that would be materially adverse to us ,the Trustee or the holders of 2025 M Bonds or which would otherwise cause an impairment of our rights or those of the holders of 2025 M Bonds, as applicable, and the Trustee, and the seller will pay the costs of any such actions or proceedings.

- Even if the Indenture is terminated, the seller will not, prior to the date which is one (1) year and one (1) day after the termination of the Indenture and payment in full of the 2025 M Bonds or any other amounts owed under the Indenture, petition or otherwise invoke the process of any court or government authority for the purpose of commencing or sustaining a case against us under any federal or state bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar official or any substantial part of our property, or ordering the winding up or liquidation of our affairs.

- So long as any of 2025 M Bonds are outstanding, the seller will, and will cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a lien on the default property; provided that no such tax need be paid if the seller or any of its affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the seller or such affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

- The seller will not withdraw the filing of any issuance advice letter with the Commission.

- Promptly after obtaining knowledge of any breach in any material respect of its representations, warranties or covenants in the Sale Agreement, the seller will notify us, the Trustee, the Commission and the rating agencies of the breach.

- The seller will use the proceeds of the sale of the default property in accordance with the debt obligation order and Subchapter M.

- Upon our request, the seller will execute and deliver such further instruments and do such further acts as may be necessary to carry out more effectively the provisions and purposes of the Sale Agreement.

Indemnification Under the Sale Agreement

The seller will indemnify, defend and hold harmless us, the Trustee (for itself and for the benefit of the holders of the 2025 M Bonds) and any of our and the Trustee's officers, directors, employees and agents against:

- any and all amounts of principal and interest on the 2025 M Bonds not paid when due or when scheduled to be paid,

- any deposits required to be made by or to us under the basic documents or the debt obligation order which are not made when required, and

- any and all other liabilities, obligations, losses, claims, damages, payment, costs or expenses incurred by any of these persons,

in each case, as a result of the seller's breach of any of its representations, warranties or covenants contained in the Sale Agreement.

The seller will indemnify us and the Trustee (for itself and for the benefit of the holders of 2025 M Bonds) and each of our and the Trustee's respective officers, directors, employees, trustees, managers, and agents for, and defend and hold harmless each such person from and against, any and all taxes (other than taxes imposed on the holders of 2025 M Bonds as a result of their ownership of such bonds) that may at any time be imposed on or asserted against any such person as a result of (i) the sale of the default property to us, (ii) our ownership and assignment of the default property, (iii) the issuance and sale by us of the 2025 M Bonds or (iv) the other transactions contemplated in the basic documents, including any franchise, sales, gross receipts, general corporation, tangible personal property, privilege or license taxes, but excluding any taxes imposed as a result of a failure of such person to withhold or remit taxes with respect to payments on the 2025 M Bonds.

In addition, the seller will indemnify, defend and hold harmless the Trustee (for itself), our Independent Managers and each of their respective officers, directors, employees and agents against any and all liabilities, obligations, losses, claims,

damages, payments, costs or expenses incurred by any of these parties as a result of the seller's breach of any of its representations and warranties or covenants contained in the Sale Agreement except to the extent of such losses either resulting from the willful misconduct, bad faith or negligence of such indemnified persons or resulting from a breach of a representation or warranty made by such indemnified persons in the Indenture or any related documents that gives rise to the seller's breach. The seller will not be required to indemnify any person otherwise indemnified under the Sale Agreement for any amount paid or payable by such person in the settlement of any action, proceeding or investigation without the prior written consent of the seller, which consent will not be unreasonably withheld.

The seller will indemnify the servicer (if the servicer is not the seller) for the costs of any action instituted by the servicer pursuant to the Servicing Agreement which are not paid as an operating expense under the Indenture.

The indemnification provided for in the Sale Agreement will survive any repeal of, modification of, or supplement to, or judicial invalidation of, Subchapter M or the debt obligation order and will survive the resignation or removal of the Trustee, or the termination of the Sale Agreement and will rank in priority with other general, unsecured obligations of the seller. The seller shall not indemnify any person otherwise indemnified under the Sale Agreement for any changes in law after the issuance date, whether such changes in law are effected by means of any legislative enactment, constitutional amendment or any final and non-appealable judicial decision.

ERCOT's indemnification obligations will rank equally in right of payment with other general unsecured obligations of ERCOT.

Successors to the Seller

Any entity which becomes the successor by merger, sale, transfer, lease, management contract or otherwise to all or substantially all of the electric transmission and distribution business of ERCOT may assume the rights and obligations of ERCOT under the Sale Agreement. So long as the conditions of any such assumption are met, ERCOT will automatically be released from its obligations under the Sale Agreement. The conditions include that:

- immediately after giving effect to any transaction referred to in this paragraph, no representation, warranty or covenant made in the Sale Agreement will have been breached, and no servicer default, and no event that, after notice or lapse of time, or both, would become a servicer default will have occurred and be continuing,

- the successor must execute an agreement of assumption to perform all of the obligations of the seller under the Sale Agreement;

- officers' certificates and opinions of counsel specified in the Sale Agreement will have been delivered to us, the Trustee and the rating agencies, and

- the rating agencies will have received prior written notice of the transaction.

Amendment

The Sale Agreement may be amended in writing by the seller and us, if a copy of the amendment is provided by us to each rating agency and the Rating Agency Condition is satisfied, with the consent of the Trustee and, with respect to amendments that would increase ongoing costs as defined in the debt obligation order, the consent or deemed consent of the Commission. If any such amendment would adversely affect the interest of any holder of 2025 M Bonds in any material respect, the consent of the holders of a majority of the 2025 M Bonds is also required. In determining whether a majority of the holders of 2025 M Bonds have consented, bonds owned by us, ERCOT or any affiliate of us shall be disregarded, except that, in determining whether the Trustee shall be protected in relying upon any such consent, the Trustee shall only be required to disregard any bonds that a responsible officer of the Trustee actually knows to be so owned.

In addition, the Sale Agreement may be amended in writing by the seller and us with ten (10) business days' prior written notice given to the rating agencies and, if the contemplated amendment may in the judgment of the Commission increase ongoing costs, the consent of the Commission, but without the consent of any of the holders of 2025 M Bonds (i) to cure any ambiguity, to correct or supplement any provisions in the Sale Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in the Sale Agreement or if modifying in any manner the rights of the holders of 2025 M Bonds; provided, however, that such action shall not, as evidenced by an officer's certificate

delivered to us and the Trustee, adversely affect in any material respect the interests of any holder of 2025 M Bonds. Promptly after the execution of any such amendment or consent, we will furnish copies of such amendment or consent to each of the rating agencies.

THE SERVICING AGREEMENT

The following summary describes the material terms and provisions of the Servicing agreement, entered into in connection with the issuance of the 2025 M Bonds under this Offering Memorandum pursuant to which the servicer has undertaken to service the default property. For more information regarding the Servicing Agreement see "Where Prospective Investors Can Find More Information" in this Offering Memorandum.

Servicing Procedures

The servicer, as our agent, will manage, service and administer, and invoice and collect payments in respect of the default property according to the terms of the Servicing Agreement. The servicer's duties include: calculating, billing and collecting the default charges from Wholesale Market Participants or an agent appointed by the servicer or an account designated under the Intercreditor Agreement to collect the charges, as applicable, and posting all collections; responding to inquiries of Wholesale Market Participants, the Commission or any other governmental authority regarding the default property; calculating load ratio share basis; accounting for collections; furnishing periodic reports and statements to us, the rating agencies and to the Trustee; making all filings with the Commission and taking all other actions necessary to perfect our ownership interests in and the Trustee's lien on the default property; making all filings and taking such other action as may be necessary to perfect and maintain the perfection and priority of the Trustee's lien on and security interest in all collateral, including the default property; selling, as our agent, as our interests may appear, defaulted or written off accounts; taking all necessary action in connection with true-up adjustments; and performing other duties specified in the debt obligation order.

The servicer will be responsible for maintenance of default charge deposits. The default charge deposits, which are isolated and held in account at the Issuing Entity, will be managed by the servicer and will be a supplemental source of payment of default charges on behalf of Wholesale Market Participants for any unpaid or delinquent default charges. The servicer will be required to deliver to the Trustee proceeds of default charge deposits or proceeds of standby letters of credit it manages for us should any Wholesale Market Participant default in making payment of default charges. The servicer will be permitted to enforce all rights set forth in and take all steps permitted in the debt obligation order, ERCOT Nodal Protocols, and Commission regulations reasonably necessary to ensure prompt payment of default charges and security deposits. The servicer may invest any cash default charges deposits in eligible investments.

The servicer is required to notify us, the Trustee and the rating agencies in writing of any laws or Commission regulations promulgated after the execution of the Servicing Agreement that have a material adverse effect on the servicer's ability to perform its duties under the Servicing Agreement. The servicer is also authorized to execute and deliver documents and to make filings and participate in proceedings on our behalf.

In addition, upon our reasonable request or the reasonable request of the Trustee or any rating agency, the servicer will provide to us, the Trustee or such rating agency, public financial information about the servicer and any material information about the default property that is reasonably available, as may be reasonably necessary and permitted by law to enable us, the Trustee or such rating agency to monitor the servicer's performance (provided, however, that any such request by the Trustee will not create an obligation for the Trustee to monitor the servicer's performance), and so long as any 2025 M Bonds are outstanding, within a reasonable time after written request thereof, any information available to the servicer or reasonably obtainable by it that is necessary to calculate the default charges applicable to each Wholesale Market Participant. The servicer will also prepare any reports required to be filed by us with the Trustee and will cause to be delivered required opinions of counsel to the effect that all filings with the Commission necessary to preserve and protect the interests of the Trustee in the default property have been made.

Servicing Standards and Covenants

The Servicing Agreement will require the servicer, in servicing and administering the default property, to employ or cause to be employed procedures and exercise or cause to be exercised the same care and diligence it customarily employs and exercises with respect to billing and collection activities it conducts for its own account and, if applicable, for others.

The Servicing Agreement requires the servicer to implement procedures and policies to ensure that Wholesale Market Participants remit the default charges to the servicer on behalf of us and the holders of 2025 M Bonds. These procedures and policies include creating and maintaining records that would permit prompt transfer of billing responsibilities in the event that a Wholesale Market Participant defaults. The servicer also monitors payments from Wholesale Market Participants and will take all permitted steps to ensure and collect payment by the Wholesale Market Participants. The servicer imposes collection policies on the Wholesale Market Participants, as permitted under the debt obligation order and the rules of the Commission. Any agreement entered into between the servicer and a defaulted Wholesale Market Participant must satisfy the Rating Agency Condition.

The Servicing Agreement requires the servicer to (i) manage, service, administer and make collections in respect of the default property with reasonable care and in material compliance with applicable requirements of law, including all applicable regulations of the Commission, (ii) follow customary standards, policies and procedures for the industry in Texas in performing its duties, as servicer, (iii) use all reasonable efforts, consistent with customary servicing procedures/ ERCOT Nodal Protocols, including any protocols created in relation to Subchapter M, to enforce, and maintain rights in respect of, the default property and to invoice and collect the default charges, (iv) comply with all requirements of law including all applicable regulations of the Commission applicable to and binding on it relating to the default property, (v) file all notices with the Commission described in Subchapter M and file and maintain the effectiveness of UCC financing statements with respect to the property transferred from time to time under the Sale Agreement , and (vi) take such other action on our behalf to ensure that the lien of the Trustee on the collateral remains perfected and of first priority.

The servicer is responsible for instituting any proceeding to compel performance by the state of Texas or the Commission of their respective obligations under Subchapter M, the debt obligation order, any issuance advice letter, or any true-up adjustment. The servicer is also responsible for instituting any proceeding as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to Subchapter M or the debt obligation order or the rights of the holder of the default property by legislative enactment, voter initiative or constitutional amendment that would be materially adverse to holders of 2025 M Bonds or which would cause an impairment of the rights of the Issuing Entity or the holders of 2025 M Bonds. In any proceedings related to the exercise of the power of eminent domain by any municipality to acquire a portion of ERCOT's operations, the servicer will assert that the court ordering such condemnation must treat such municipality as a successor to ERCOT under Subchapter M and the debt obligation order. The Servicing Agreement also designates the servicer as the custodian of our records and documents. The Servicing Agreement requires the servicer to indemnify us, our Independent Managers and the Trustee (for itself and for your benefit) for any negligent act or omission relating to the servicer's duties as custodian, except in the case of willful misconduct, bad faith or negligence of us, any Independent Manager or the Trustee.

True-Up Adjustment Process

From time to time, until the retirement of the 2025 M Bonds, the debt obligation order and the Servicing Agreement require the servicer to file true-up adjustments at least annually. In addition, the servicer is required to file semi-annual true-up adjustments, and if necessary, may also file at any time optional true-up adjustments in order to assure timely payment of the 2025 M Bonds and the other amounts payable with respect to the 2025 M Bonds. For more information on the true-up process, please read "ERCOT's Debt Obligation Order—Statutory True-Ups."

As part of each true-up adjustment, the servicer will calculate the default charges which must be billed in order to generate the revenues for the ensuing 12-month period necessary to result in:

- all accrued and unpaid interest on the 2025 M Bonds being paid in full,
- the outstanding principal balance of the 2025 M Bonds equaling the amount provided in the expected amortization schedule,
- the aggregate amount on deposit in the supplemental capital subaccount equaling the required supplemental capital level, and
- all other fees, expenses and indemnities of the Issuing Entity (up to the authorized amounts of such payments set forth in the debt obligation order) being paid.

In calculating the necessary true-up adjustment, the servicer will use its maximum volume of activity in the most recent month for which final settlement data is available to determine each Wholesale Market Participant's activity ratio share. The true-up adjustment will reflect (i) any under-collections or over-collections during the preceding 12-month period in the case of annual true-up adjustments, and only under-collections in the case of semi-annual or optional interim true-up adjustments, (ii) any changes to the ERCOT Nodal Protocols relating to the forecasting of uncollectibles, and delinquencies, including declines in collection from any Wholesale Market Participants or other ERCOT customer class, (iii) any changes to the ERCOT Nodal Protocols relating to its allocation, assessment and/or collection of default charges, to the extent permitted under the debt obligation order. Upon making any true-up adjustment, the servicer will adjust the amounts needed to ensure the required revenues for the remainder of the 12-month period is met, and assess the default charges to each Wholesale Market Participant as a monthly charge, based on their activity ratio share for the most recent month for which final settlement data is available, in accordance with ERCOT's Nodal Protocols. There is no cap on the level of default charges that may be imposed on Wholesale Market Participants as a result of the true-up process.

The servicer must provide timely notice to the Commission of any true-up adjustment. The Commission must be given at least forty-five (45) days' notice in the case of annual and semi-annual true-ups and at least fifteen (15) days' notice in the case of an optional interim true-up prior to the first billing cycle of the month in which the revised daily amortization amount will be in effect. In the event any correction to a true-up adjustment due to mathematical errors in the calculation of the adjustment or otherwise is necessary, the corrections will be made in a future true-up adjustment.

In the case any true-up adjustment goes into effect after the final scheduled payment date, the calculation period shall begin on the date the true-up adjustment goes into effect and end on the payment date next following such true-up adjustment date.

Remittances to Collection Account

The servicer will remit collection payments of default charges to the Trustee for deposit into the collection account on each servicer business day that it receives collection payments with respect to previously billed monthly default charges. For a description of the allocation of the deposits, please read "Security for the 2025 M Bonds—How Funds in the Collection Account will be Allocated." Please read "Risk Factors—Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer" in this Offering Memorandum.

The servicer will remit to the Trustee default charge collections received from Wholesale Market Participants.

The Servicing Agreement requires that, in the event a Wholesale Market Participant does not pay in full all amounts owed under any invoice, including default charges, any resulting shortfalls in default charges will be allocated ratably between the Trustee and the trustee for the Texas Stabilization N Bonds**.**

Servicing Compensation

The servicer will be entitled to receive an annual servicing fee in an amount equal to:

- $200,000; or
- if ERCOT or any of its affiliates is not the servicer, an amount agreed upon by the successor servicer and the Trustee, but any amount in excess of 0.60% of the initial aggregate principal amount of the 2025 M Bonds must be approved by the Commission.

The servicing fee shall be paid semi-annually with half of the servicing fee being paid on each payment date. The servicer will also be entitled to retain any interest earnings on default charge collections prior to remittance to the collection account, as well as all late payment charges, if any, collected from Wholesale Market Participants. However, if the servicer has failed to remit the default charge collections to any collection account within two (2) bank business days that the servicer received such default charge collections on more than three (3) occasions during the period that the Bonds are outstanding, then thereafter the servicer will be required to pay to the Trustee any interest earnings on default charge collections received by the servicer and invested by the servicer during each collection period prior to remittance to the collection account for so long as the Bonds remain outstanding. The Trustee will pay the servicing fee on each payment date (together with any portion of the servicing fee that remains unpaid from prior payment dates) to the extent of available funds prior to the distribution of any interest on and principal of the Bonds.

Servicer Representations and Warranties; Indemnification

In the Servicing Agreement, the servicer will represent and warrant to us, as of the issuance date of the 2025 M Bonds, among other things, that:

- the servicer is duly organized, validly existing and is in good standing under the laws of the state of its organization (which is Texas when ERCOT is the servicer), with requisite corporate or other power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to service the default property and hold the records related to the default property, and to execute, deliver and carry out the terms of the Servicing Agreement and the Intercreditor Agreement;

- the servicer is duly qualified to do business, is in good standing and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the default property as required under the Servicing Agreement and the Intercreditor Agreement) requires such qualifications, licenses or approvals (except where a failure to qualify would not be reasonably likely to have a material adverse effect on the servicer's business, operations, assets, revenues or properties or to its servicing of the default property);

- the execution, delivery and performance of the terms of the Servicing Agreement have been duly authorized by all necessary action on the part of the servicer under its organizational or governing documents and laws;

- each of the Servicing Agreement and the Intercreditor Agreement constitutes a legal, valid and binding obligation of the servicer, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity, regardless of whether considered in a proceeding in equity or at law (including concepts of materiality, reasonableness, good faith and fair dealing);

- the consummation of the transactions contemplated by Servicing Agreement and the Intercreditor Agreement do not conflict with, result in any breach of, nor constitute a default under the servicer's organizational documents or any indenture or other agreement or instrument to which the servicer is a party or by which it or any of its property is bound, result in the creation or imposition of any lien upon the servicer's properties pursuant to the terms of any such indenture or agreement or other instrument (other than any lien that may be granted in favor of the Trustee for the benefit of the holders of 2025 M Bonds under the basic documents) or violate any existing law or any existing order, rule or regulation applicable to the servicer of any governmental authority having jurisdiction over the servicer or its properties;

- each report or certificate delivered in connection with the applicable issuance advice letter or delivered in connection with any filing made to the Commission by us with respect to the default charges or true-up adjustments was at the time made or will be at such time true and correct in all material respects, or, if based in part on or containing assumptions, forecasts or other predictions of future events, such assumptions, forecasts or predictions will be reasonable based on historical performance (and facts known to the servicer on the date such report or certificate is delivered);

- no governmental approvals, authorizations, consents, orders or other actions or filings with any governmental authority are required for the servicer to execute, deliver and perform its obligations under the Servicing Agreement or the Intercreditor Agreement except those which have previously been obtained or made, those that are required to be made by the servicer in the future pursuant to the Servicing Agreement and those that the servicer may need to file in the future to continue the effectiveness of any financing statements; and

- no proceeding is pending and, to the servicer's knowledge, there are no proceedings threatened and, to the servicer's knowledge, there are no investigations pending or threatened before any governmental authority having jurisdiction over the servicer or its properties involving or relating to the servicer or the Issuing Entity or, to the servicer's knowledge, any other person, asserting the invalidity of the Servicing Agreement or the other basic documents, seeking to prevent issuance of the 2025 M Bonds or the consummation of the transactions contemplated by the Servicing Agreement or other basic documents, seeking a determination that could reasonably be expected to materially and adversely affect the performance by the servicer of its obligations under or the validity

or enforceability of the Servicing Agreement or the other basic documents or the 2025 M Bonds or seeking to adversely affect the federal income tax or state income or franchise tax classification of the 2025 M Bonds as debt.

The servicer is not responsible for any ruling, decision, action or determination made or not made, or any delay of the Commission (except any delay caused by the servicer's failure to file required documents in a timely and correct manner or other breach of its duties under the Servicing Agreement that adversely affects the default property or the true-up adjustments) in any way related to the default property, the default charges or any true-up adjustment. The servicer also is not liable for the calculation of the default charges and adjustments, including any inaccuracy in the assumptions made in the calculation, so long as the servicer has acted in good faith and has not acted in a negligent manner or for any person, including the holders of 2025 M Bonds, not receiving any payment, amount or return anticipated or expected or in respect of any bond generally, except only to the extent that the same is caused by the servicer's negligence, willful misconduct, or bad faith.

The Servicer Will Indemnify Us, Other Entities and the Commission in Limited Circumstances

The servicer will indemnify, defend and hold harmless the Trustee (for itself and for your benefit) and us and the Independent Managers and each of their respective trustees, officers, directors, employees and agents from any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, arising as a result of:

- the servicer's willful misconduct, bad faith or gross negligence in the performance of, or reckless disregard of, its duties or observance of its covenants under the Servicing Agreement or the Intercreditor Agreement,

- the servicer's willful breach of any of its representations or warranties under the Servicing Agreement and the Intercreditor Agreement as and when made,

- litigation and related expenses relating to its status and obligations as servicer (other than any proceeding the servicer is required to institute under the Servicing Agreement), and

- any finding that interest payable to a Wholesale Market Participant with respect to disputed funds must be paid by us or from the default property.

The servicer will not be liable, however, for any liabilities, obligations, losses, damages, payments or claims, or reasonable costs or expenses, resulting from the willful misconduct, bad faith or negligence of the party seeking indemnification, or resulting from a breach of a representation or warranty made by any such person in any of the basic documents that give rise to the servicer's breach.

In addition, the servicer will agree in the Servicing Agreement to indemnify the Commission (for the benefit of Wholesale Market Participants) in connection with any liabilities, obligations, losses, damages, payments and claims, including any increase in servicing fees as described under "—Servicing Compensation," resulting from the servicer's willful misconduct, bad faith or gross negligence in performance of its duties or observance of its covenants under the Servicing Agreement as provided in the debt obligation order. Any such indemnity payments made to the Commission for the benefit of the Wholesale Market Participants will be remitted to the Trustee promptly for deposit in the collection account.

Except for payment of the servicing fee, reimbursement of excess remittances and certain costs incurred and payment of the purchase price of the default property, the Servicing Agreement also provides that the servicer releases us and our Independent Managers, the Trustee and each of our respective officers, directors and agents from any actions, claims and demands which the servicer, in the capacity of servicer or otherwise, may have against those parties relating to the default property or the servicer's activities with respect to the default property, other than actions, claims and demands arising from the willful misconduct, bad faith or gross negligence of the parties.

The Commission, acting through its authorized legal representative, may enforce the servicer's obligations imposed pursuant to the debt obligation order for the benefit of Wholesale Market Participants to the extent permitted by law.

Evidence as to Compliance

The Servicing Agreement will provide that the servicer will furnish annually to us, the Trustee and the rating agencies, on or before March 31 of each year, beginning March 31, 2026, a certificate from a responsible officer of the servicer, stating

that: (i) a review of the activities of the servicer during the preceding calendar year (or relevant portion thereof in the case of the first certificate of a responsible officer) and of its performance under the Servicing Agreement has been made under such officer's supervision, and (ii) to the best of such officer's knowledge, after reasonable inquiry, based on such review, the servicer has fulfilled all its obligations in all material respects under the Servicing Agreement throughout the period or, if there has been a default in the fulfillment of any such obligation, describing each such default and its status.

The Servicing Agreement also provides that a firm of independent certified public accountants, at the servicer's expense, will furnish annually to us, the Trustee and the rating agencies on or before March 31 of each year, beginning March 31, 2026, to the effect that such firm has performed certain procedures in connection with the servicer's compliance with its obligations under the Servicing Agreement during the preceding calendar year identifying the results of such procedures and including any exceptions noted. The report will also indicate that the accounting firm providing the report is independent of the services within the meaning of the Public Accounting Oversight Board.

The servicer will also be required to deliver to us, the Trustee and the rating agencies monthly reports setting forth certain information relating to collections of default charges received during the preceding calendar month and, shortly before each payment date, a semi-annual certificate setting forth the amount of principal and interest payable to holders of 2025 M Bonds on such date, the difference between the principal outstanding on the 2025 M Bonds and the amounts specified in the related expected amortization schedule after giving effect to any such payments, and the amounts on deposit in the supplemental capital subaccount and excess funds subaccount after giving effect to all transfers and payments to be made on such payment date.

In addition, the servicer is required to send copies of each filing or notice evidencing a true-up adjustment to us and the Trustee. The servicer is also required to prepare and deliver certain disclosures to Wholesale Market Participants, and to provide to the rating agencies any non-confidential and non-proprietary information about the Wholesale Market Participants as is reasonably requested by the rating agencies.

Matters Regarding the Servicer

The Servicing Agreement will provide that ERCOT may not resign from its obligations and duties as servicer thereunder, except when ERCOT delivers to the Trustee and the Commission an opinion of independent legal counsel to the effect that ERCOT's performance of its duties under the Servicing Agreement is no longer permissible under applicable law. No resignation by ERCOT as servicer will become effective until a successor servicer has assumed ERCOT's servicing obligations and duties under the Servicing Agreement.

The Servicing Agreement further provides that neither the servicer nor any of its directors, officers, employees, or agents will be liable to us or to the Trustee, our managers, you or any other person or entity, except as provided under the Servicing Agreement, for taking any action or for refraining from taking any action under the Servicing Agreement or for good faith errors in judgment. However, neither the servicer nor any person or entity will be protected against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of its duties, or in the case of an Independent Manager, bad faith or willful misconduct. The servicer and any of its directors, officers, employees or agents may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document submitted by any person respecting any matters under the Servicing Agreement. In addition, the Servicing Agreement will provide that the servicer is under no obligation to appear in, prosecute, or defend any legal action, except as provided in the Servicing Agreement at our expense.

Under the circumstances specified in the Servicing Agreement, any entity which becomes the successor by merger, sale, transfer, lease, management contract or otherwise to all or substantially all of the servicer's operations may assume all of the rights and obligations of the servicer under the Servicing Agreement. The following are conditions to the transfer of the duties and obligations to a successor servicer:

- immediately after the transfer, no representation or warranty made by the servicer in the Servicing Agreement will have been breached and no servicer default or event which after notice of, lapse of time or both, would become a servicer default, has occurred and is continuing;

- the successor to the servicer must execute an agreement of assumption to perform every obligation of the servicer under the Servicing Agreement;

- the servicer has delivered to us and to the Trustee an officer's certificate and an opinion of counsel stating that the transfer complies with the Servicing Agreement and all conditions to the transfer under the Servicing Agreement have been complied with;

- the servicer has delivered to us and to the Trustee and the rating agencies an opinion of counsel stating either that all necessary filings, including those with the Commission, to preserve, perfect and maintain the priority of our interests in and the Trustee's lien on the default property, have been made or that no filings are required;

- the servicer has given prior written notice to the rating agencies; and

- the servicer has delivered to us, the Commission, the Trustee and the rating agencies an opinion of independent tax counsel to the effect that, for federal income tax purposes, such transaction will not result in a material federal income tax consequence to the Issuing Entity or the holders of 2025 M Bonds.

So long as the conditions of any such assumptions are met, then the prior servicer will automatically be released from its obligations under the Servicing Agreement.

The Servicing Agreement will permit the servicer to appoint any person to perform any or all of its obligations. However, unless the appointed person is an affiliate of ERCOT, appointment must satisfy the Rating Agency Condition. In all cases, the servicer must remain obligated and liable under the Servicing Agreement.

Servicer Defaults

Servicer defaults under the Servicing Agreement will include:

- any failure by the servicer to remit any amount, including payments arising from the default charges, into the collection account as required under the Servicing Agreement, which failure continues unremedied for five (5) business days after written notice from us or the Trustee is received by the servicer or after discovery of the failure by an officer of the servicer;

- any failure by the servicer to duly perform its obligations to make default charge adjustment filings in the time and manner set forth in Servicing Agreement, which failure continues unremedied for a period of five (5) days;

- any failure by the servicer or, if the servicer is ERCOT or an affiliate of ERCOT, by ERCOT to observe or perform in any material respect any covenants or agreements in the Servicing Agreement or the other basic documents to which it is a party, which failure materially and adversely affects the rights of holders of 2025 M Bonds and which continues unremedied for sixty (60) days after written notice of this failure has been given to the servicer or, if the servicer is ERCOT or an affiliate of ERCOT, by us or by the Trustee or after such failure is discovered by an officer of the servicer;

- any representation or warranty made by the servicer in the Servicing Agreement or any basic document proves to have been incorrect in a material respect when made, which has a material adverse effect on the holders of 2025 M Bonds and which material adverse effect continues unremedied for a period of sixty (60) days after the giving of written notice to the servicer by us or the Trustee after such failure is discovered by an officer of the servicer; and

- events of bankruptcy, insolvency, receivership or liquidation of the servicer.

Rights Upon a Servicer Default

In the event of a servicer default that remains unremedied, the Trustee may, and upon the instruction of the Commission or the holders of Bonds evidencing not less than a majority in principal amount of then outstanding 2025 M Bonds, the Trustee will terminate all the rights and obligations of the servicer under the Servicing Agreement, other than the servicer's indemnity obligation and obligation to continue performing its functions as servicer until a successor servicer is appointed. After the termination, the Trustee may and, upon the instruction of the holders of 2025 M Bonds, evidencing not less than a majority in principal amount of such outstanding bonds, the Trustee will appoint a successor servicer who will succeed to all the responsibilities, duties and liabilities of the servicer under the Servicing Agreement and will be entitled to similar

compensation arrangements. Any successor servicer must be approved by all of the trustees party to the Intercreditor Agreement and is subject to satisfaction of the Rating Agency Condition.

In addition, when a servicer defaults by failing to remit default charges as required by the Servicing Agreement, the holders of 2025 M Bonds (in accordance with the Indenture) and the Trustee as beneficiary of any lien will be entitled to (i) apply to a Travis County, Texas district court for sequestration and payment of revenues arising from the default property, (ii) foreclose on or otherwise enforce the lien and security interests in any default property, and (iii) apply to the Commission for an order that amounts arising from the default charges be transferred to a separate account for the benefit of the holders of 2025 M Bonds in accordance with Subchapter M. If, however, a bankruptcy trustee or similar official has been appointed for the servicer, and no servicer default other than an appointment of a bankruptcy trustee or similar official has occurred, that bankruptcy trustee or official may have the power to prevent the Trustee or the holders of 2025 M Bonds from effecting a transfer of servicing. Please read "Risk Factors—Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer" and "How a Bankruptcy May Affect Your Investment" in this Offering Memorandum.

If within thirty (30) days after the delivery of the termination notice, a new servicer shall not have been appointed, the Trustee may petition the Commission or a court of competent jurisdiction for the appointment of a successor servicer which satisfies the Rating Agency Condition. In no event will the Trustee be liable for its appointment of a successor servicer. The Trustee may make arrangements for compensation to be paid to the successor servicer.

ERCOT is also the servicer of certain uplift property sold to Texas Funding N as described in "Relationship to the Texas Stabilization M Bonds, Series 2021 and the Texas Stabilization N Bonds, Series 2022," and may be the servicer of certain other property sold in the future. We and Texas Funding N entered into the Intercreditor Agreement with respect to the 2021 M Bonds, and we will enter into an amendment to such intercreditor agreement or enter into the Intercreditor Agreement with respect to the 2025 M Bonds, which require that any replacement servicer for the Bonds also act as servicer for Texas Funding N's Texas Stabilization N Bonds. Consequently, it may be impractical and/or difficult upon a servicer default to appoint a replacement servicer unless the holders of bonds issued by Texas Funding N have similarly elected to replace ERCOT as servicer of the default property owned by Texas Funding N. Please read "Relationship to the Texas Stabilization M Bonds, 2021 and the Texas Stabilization N Bonds, Series 2022."

Waiver of Past Defaults

The Commission, together with holders of 2025 M Bonds, evidencing not less than a majority in principal amount of the then outstanding 2025 M Bonds, on behalf of all holders of 2025 M Bonds, may direct the Trustee to waive in writing any default by the servicer in the performance of its obligations under Servicing Agreement and its consequences, except a default in making any required deposits to the collection account under the Servicing Agreement. The Servicing Agreement provides that no waiver will impair the holders of 2025 M Bonds' rights relating to subsequent defaults. Promptly after executing such a waiver, the servicer will furnish a copy of such waiver to each applicable rating agency.

Successor Servicer

If for any reason a third-party assumes the role of the servicer under the Servicing Agreement, the Servicing Agreement will require the servicer to cooperate with us and with the Trustee and the successor servicer in terminating the servicer's rights and responsibilities under the Servicing Agreement, including the transfer to the successor servicer of all cash amounts then held by the servicer for remittance or subsequently acquired. The Servicing Agreement provides that the servicer will be liable for the reasonable costs and expenses incurred in transferring the default property records to the successor servicer and amending the Servicing Agreement to reflect such succession if such transfer is the result of a servicer default.

Amendment

The Servicing Agreement may be amended in writing by the servicer and us, if a copy of the amendment is provided by us to each rating agency and if the Rating Agency Condition has been satisfied, with the prior written consent of the Trustee and, with respect to amendments that would increase ongoing costs as defined in the debt obligation order, the consent or deemed consent of the Commission. If any such amendment would adversely affect the interest of any bondholder in any material respect, the consent of the holders of a majority of the outstanding principal amount of the Bonds is also required.

In addition, the Servicing Agreement may be amended in writing by the servicer and us with ten (10) business days' prior written notice given to the rating agencies and the prior written consent of the Trustee (which consent shall be given in reliance on an opinion of counsel and an officer's certificate stating that such amendment is permitted or authorized under and adopted in accordance with the provisions of the Servicing Agreement and that all conditions precedent have been satisfied, upon which the Trustee may conclusively rely) and, if the contemplated amendment may in the judgment of the Commission increase ongoing costs, the consent of the Commission, but without the consent of any of the holders of 2025 M Bonds, (i) to cure any ambiguity, to correct or supplement any provisions in the Servicing Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in the Servicing Agreement or of modifying in any manner the rights of the holders of 2025 M Bonds; provided, however, that such action shall not, as evidenced by an officer's certificate delivered to us and the Trustee, adversely affect in any material respect the interests of any bondholder or (ii) to conform the provisions of the Servicing Agreement in this Offering Memorandum. Promptly after the execution of any such amendment or consent, we will furnish copies of such amendment or consent to each of the rating agencies.

If the Commission adopts rules or regulations or if ERCOT revises its Default Charge Protocols, the effect of which is to modify or supplement any provision of the Servicing Agreement related to the assessment, collection or remittance of default charges and with respect to which the Rating Agency Condition has been satisfied, and if the servicer has notified us and the Trustee in writing of such modification or supplement and delivered an opinion of counsel stating that such modification or supplement is authorized and permitted by the Servicing Agreement, the Servicing Agreement will be so modified or supplemented on the effective date of such rule or regulation without the necessity of any further action by any party to the Servicing Agreement.

HOW A BANKRUPTCY MAY AFFECT YOUR INVESTMENT

Challenge to True Sale Treatment

ERCOT represented and warranted in connection with the issuance of the 2021 M Bonds that the transfer of the default property in accordance with the Sale Agreement constituted a true and valid sale and assignment of that default property by ERCOT to us. It was a condition of closing for the sale of the default property pursuant to the Sale Agreement that ERCOT take the appropriate actions to perfect this sale. We and ERCOT treat the transfer of default property as a sale under applicable law. However, the 2021 M Bonds were, and we expect that the 2025 M Bonds will be, reflected as debt on ERCOT's consolidated financial statements. In addition, we anticipate that the 2025 M Bonds will be treated as debt of ERCOT for federal income tax purposes. Please read "Material U.S. Federal Income Tax Consequences." In the event of an ERCOT bankruptcy, if a party in interest in the bankruptcy case were to take the position that the transfer of the default property to us pursuant to that Sale Agreement was a financing transaction and not a true sale under applicable law, there can be no assurance that a court would not adopt this position. Even if a court did not ultimately recharacterize the transaction as a financing transaction, the mere commencement of a bankruptcy of ERCOT and the attendant possible uncertainty surrounding the treatment of the transaction could result in delays in payments on the 2025 M Bonds.

In that regard, we note that the bankruptcy court in In re: LTV Steel Company, Inc., et al., 274 B.R. 278 (Bankr. N. D. Oh. 2001) issued an interim order that observed that a debtor, LTV Steel Company, which had previously entered into securitization arrangements with respect both to its inventory and its accounts receivable may have "at least some equitable interest in the inventory and receivables, and that this interest is property of the Debtor's estate. . . sufficient to support the entry of the interim order permitting the debtor to use proceeds of the property sold in the securitization." 274 B.R. at 285. The court based its decision on its view of the equities of the case in favor of the debtor.

LTV and the securitization investors subsequently settled their dispute over the terms of the interim order and the bankruptcy court entered a final order in which the parties admitted and the court found that the pre-petition transactions constituted "true sales." The court did not otherwise overrule its earlier ruling. The LTV memorandum opinion serves as an example of the pervasive equity powers of bankruptcy courts and the importance that such courts may ascribe to the goal of reorganization, particularly where the assets sold are integral to the ongoing operation of the debtor's business.

Even if creditors did not challenge the sale of the default property as a true sale, a bankruptcy filing by ERCOT could trigger a bankruptcy filing by us with similar negative consequences for holders of 2025 M Bonds. In a bankruptcy case, In re General Growth Properties, Inc., General Growth Properties, Inc. filed for bankruptcy together with many of its direct and indirect subsidiaries, including many subsidiaries that were organized as special purpose vehicles. The bankruptcy court upheld the validity of the filings of these special purpose subsidiaries and allowed the subsidiaries, over the objections of

their creditors, to use the lenders' cash collateral to make loans to the parent for general corporate purposes. The creditors received adequate protection in the form of current interest payments and replacement liens to mitigate any diminution in value resulting from the use of the cash collateral, but the opinion serves as a reminder that bankruptcy courts may subordinate or delay the legal rights of creditors to the interests of helping debtors reorganize.

We and ERCOT have attempted to mitigate the impact of a possible recharacterization of a sale of the default property as a financing transaction under applicable creditors' rights principles. The Sale Agreement provides that, if the transfer of the default property is subsequently recharacterized by a court as a financing transaction and not a true sale, the transfer by ERCOT will be deemed to have granted to us on behalf of ourselves and the Trustee a first priority security interest in all ERCOT's right, title and interest in and to the default property and all proceeds thereof. In addition, the Sale Agreement requires the filing of a notice of security interest in the default property and the proceeds thereof. As a result of these filings, we are a secured creditor of ERCOT and entitled to recover against the collateral or its value. This does not, however, eliminate the risk of payment delays or reductions and other adverse effects caused by an ERCOT bankruptcy. Further, if, for any reason, a default property notice is not filed or we fail to otherwise perfect our interest in the default property, and the transfer is thereafter deemed not to constitute a true sale, we would be an unsecured creditor of ERCOT.

Consolidation of the Issuing Entity and ERCOT

If ERCOT were to become a debtor in a bankruptcy case, a party in interest might attempt to substantively consolidate the assets and liabilities of ERCOT with our assets and liabilities. We and ERCOT have taken steps to attempt to minimize this risk. Please read "Texas Electric Market Stabilization Funding M LLC, The Issuing Entity" in this Offering Memorandum. However, no assurance can be given that, if ERCOT were to become a debtor in a bankruptcy case, a court would not order that our assets and liabilities be substantively consolidated with those of ERCOT. Substantive consolidation could result in substantial delay of the payment of the claims of the beneficial owners of the Bonds, and to adjustment in timing and amount of such payments under a plan of reorganization in the bankruptcy case.

Status of Default Property as Current Property

ERCOT represented in the Sale Agreement, and Subchapter M provides, that the default property sold pursuant to the Sale Agreement constitutes a current property right effective on the date that it was first transferred or pledged in connection with the issuance of 2021 M Bonds. Nevertheless, no assurance can be given that, in the event of a bankruptcy of ERCOT, a court would not rule that the default property comes into existence only as LSEs use electricity or some other future event.

If a court were to accept the argument that the default property comes into existence only as LSEs incur default charges, no assurance can be given that a security interest in favor of the holders of 2025 M Bonds would attach to the default charges after the commencement of the bankruptcy case or that the default property has validly been sold to us. If it were determined that the default property had not been sold to us, and the security interest in favor of the holders of 2025 M Bonds did not attach to the default property after the commencement of the bankruptcy case, then we would have an unsecured claim against ERCOT. If so, there could be delays and/or reductions in payments on the Bonds. Regardless of whether a court determined that the default property had been sold to us pursuant to the Sale Agreement, no assurances can be given that a court would not rule that any default charges relating to default charges incurred after the commencement of the bankruptcy could not be transferred to us or the Trustee.

In addition, in the event of a bankruptcy of ERCOT, a party in interest in the bankruptcy could assert that we should pay, or that we should be charged for, a portion of ERCOT's costs associated with managing the ERCOT electric grid or other expenses, which gave rise to the default charge receipts used to make payments on the Bonds.

Regardless of whether ERCOT is the debtor in a bankruptcy case, if a court were to accept the argument that default property sold pursuant to the Sale Agreement comes into existence only as default charges are incurred, a tax or government lien or other nonconsensual lien on property of ERCOT arising before that default property came into existence could have priority over our interest in that default property. Adjustments to the default charges may be available to mitigate this exposure, although there may be delays in implementing these adjustments.

Estimation of Claims; Challenges to Indemnity Claims

If ERCOT were to become a debtor in a bankruptcy case, to the extent we do not have secured claims as discussed above, claims, including indemnity claims, by us or the Trustee against ERCOT as seller or servicer under the Sale

Agreement and the other documents executed in connection therewith would be unsecured claims and would be subject to being discharged in the bankruptcy case. In addition, a party in interest in the bankruptcy may request that the bankruptcy court estimate any contingent claims that we or the Trustee have against ERCOT. That party may then take the position that these claims should be estimated at zero or at a low amount because the contingency giving rise to these claims is unlikely to occur. If a court were to hold that the indemnity provisions were unenforceable, we would be left with a claim for actual damages against ERCOT based on breach of contract principles. The actual amount of these damages would be subject to estimation and/or calculation by the court.

No assurances can be given as to the result of any of the above-described actions or claims. Furthermore, no assurance can be given as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving ERCOT.

Enforcement of Rights by the Trustee

Upon an event of default under the Indenture, the Trustee is permitted to enforce the security interest in the default property sold pursuant to the Sale Agreement in accordance with the terms of the Indenture. In this capacity, the Trustee is permitted to request the Commission or a Travis County, Texas district court to order the sequestration and payment to holders of 2025 M Bonds of all revenues arising from the default charges. There can be no assurance, however, that the Commission or a district court judge would issue this order after a seller bankruptcy in light of the automatic stay provisions of Section 362 of the United States Bankruptcy Code. In that event, the Trustee may under the Indenture seek an order from the bankruptcy court lifting the automatic stay with respect to this action by the Commission or a district court judge and an order requiring an accounting and segregation of the revenues arising from the default property sold pursuant to the Sale Agreement. There can be no assurance that a court would grant either order or when a court might grant either order.

Bankruptcy of the Servicer

The servicer is entitled to commingle the default charges that it receives with its own funds until each date on which the servicer is required to remit funds to the Trustee as specified in the Servicing Agreement. The UCC provides that so long as the proceeds are identifiable proceeds, the relative priority of a lien is not defeated or adversely affected by the commingling of default charges arising with respect to the default property with funds of the servicer. In the event of a bankruptcy of the servicer, a party in interest in the bankruptcy might assert, and a court might rule, that the default charges commingled by the servicer with its own funds and held by the servicer are property of the servicer and are, therefore, property of the servicer's bankruptcy estate, rather than our property. If the court so rules, then the court would likely rule that the Trustee has only a general unsecured claim against the servicer for the amount of commingled default charges and could not recover the commingled default charges.

Further, even if a court ruled that we owned the commingled default charges, the automatic stay arising upon the bankruptcy of the servicer could delay the Trustee from receiving the commingled default charges held by the servicer as of the date of the bankruptcy until the court grants relief from the stay. A court ruling on any request for relief from the stay could be delayed pending the court's resolution of whether the commingled default charges are our property or are property of the servicer, including resolving any tracing of proceeds issues.

The Servicing Agreement will provide that the Trustee, as our assignee, together with the other persons specified therein, may vote to appoint a successor servicer that satisfies the Rating Agency Condition. The Servicing Agreement will also provide that the Trustee, together with the other persons specified therein, may petition the Commission or a court of competent jurisdiction to appoint a successor servicer that meets this criterion. However, the automatic stay in effect during a servicer bankruptcy might delay or prevent replacement of the servicer. Even if a successor servicer may be appointed and may replace the servicer, a successor may be difficult to obtain and may not be capable of performing all of the duties that ERCOT, as servicer, was capable of performing. Furthermore, should the servicer enter into bankruptcy, it may be permitted or required to stop acting as servicer, including before a successor servicer is appointed.

Bankruptcy of a Wholesale Market Participant

A Wholesale Market Participant is not required to segregate the default charges it collects from its general funds. In a bankruptcy of a Wholesale Market Participant, however, a bankruptcy court might not recognize our right to receive the collected default charges that are commingled with other funds of a Wholesale Market Participant prior to, or as of the date of bankruptcy, including default charges or other charges associated with other issuances of bonds, as applicable, such as

the 2022 N Bonds. If so, the collected default charges or other charges held by a Wholesale Market Participant as of the date of bankruptcy would not be available to us to pay amounts owing on the 2025 M Bonds. In this case, we would have only a general unsecured claim against that Wholesale Market Participant for those amounts.

In addition, the bankruptcy of a Wholesale Market Participant may cause a delay in or prohibition of enforcement of various rights against the Wholesale Market Participant, including rights to require payments by such Wholesale Market Participant, rights to enforce against such Wholesale Market Participant's deposit account or any other security deposits of such responsible Wholesale Market Participant held by the Trustee, rights to retain preferential payments made by the Wholesale Market Participant prior to bankruptcy, rights to require such Wholesale Market Participant to comply with financial provisions of PURA or other state laws, rights to terminate contracts with such Wholesale Market Participant and rights that are conditioned on the bankruptcy, insolvency or financial condition of such Wholesale Market Participant. Such a bankruptcy could also cause a possible disgorgement of any security deposits of such Wholesale Market Participant held by the Trustee.

Please also read "Risk Factors – Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer" and "Risk Factors – Risks Associated with Potential Bankruptcy Proceedings of Wholesale Market Participants" in this Offering Memorandum.

USE OF PROCEEDS

We will use the proceeds of the issuance of the 2025 M Bonds to pay the expenses of the issuance and sale of the 2025 M Bonds and to repay in full the principal balance of the outstanding 2021 M Bonds and accrued but unpaid interest thereon. As of the date hereof, the principal balance of the outstanding 2021 M Bonds is $379,817,078 and accrued but unpaid interest through the settlement date for the issuance of the 2025 M Bonds is anticipated to be $896,579.

PLAN OF SALE

Subject to the terms and conditions in the bond purchase agreement, or the **Bond Purchase Agreement**, among us, ERCOT and the Initial Purchasers, for whom Citigroup Global Markets Inc. and Barclays Capital Inc. are acting as representatives, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase, the principal amount of the 2025 M Bonds listed opposite each Initial Purchaser's name below:

Initial Purchasers	**Tranche A**
Citigroup Global Markets Inc.	$312,758,000
Barclays Capital Inc.	$66,342,000
Total	$379,100,000

Under the Bond Purchase Agreement, the Initial Purchasers will purchase and pay for all of the 2025 M Bonds we offer, if any are taken. If an Initial Purchaser defaults, the Bond Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Bond Purchase Agreement may be terminated.

The Initial Purchasers will offer the 2025 M Bonds for sale from time to time in one or more transactions (which may include block transactions), in negotiated transactions or otherwise, or a combination of both methods of sale, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. The Initial Purchasers may do so by selling the 2025 M Bonds to or through broker/dealers, who may receive compensation in the form of purchaser discounts and fees, concessions or commissions from the Initial Purchasers and/or the purchasers of the 2025 M Bonds for whom it may act as agent. In connection with the sale of the 2025 M Bonds, the Initial Purchasers may be deemed to have received compensation in the form of an Initial Purchasers' discounts, and the Initial Purchasers may also receive commissions from the purchasers of the 2025 M Bonds for whom they may act as agent.

The issuance of the 2025 M Bonds has not been and will not be registered under the Securities Act, or any state securities laws, and the 2025 M Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except to QIBs in reliance on Rule 144A under the Securities Act and to certain non-U.S. Persons in

offshore transactions in reliance on Regulation S under the Securities Act. The Initial Purchasers have agreed that (i) they will not offer, sell or deliver the 2025 M Bonds as part of their distribution at any time except to, or for the account or benefit of, persons reasonably believed to be QIBs in reliance on Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) they will have sent to each broker/dealer to which they sell 2025 M Bonds in reliance on Regulation S during the 40-day restricted period, a confirmation or other notice detailing the restrictions on offers and sales of the 2025 M Bonds within the United States or to, or for the account or benefit of, U.S. Persons. Resales of the 2025 M Bonds are restricted as described under "Transfer Restrictions" in this Offering Memorandum.

In addition, during the 40-day restricted period under Regulation S, an offer or sale of 2025 M Bonds within the U.S. by a broker/dealer (whether or not they are participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Purchasers of 2025 M Bonds sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors.

As set forth in the Bond Purchase Agreement, the Issuing Entity has agreed to indemnify the Initial Purchasers against certain securities law liabilities or to contribute to payments which it may be required to make in that respect.

No action has been or will be taken by the Issuing Entity or any other person that would or is intended to permit a public offer of 2025 M Bonds in any country or jurisdiction where action for that purpose is required. Accordingly, no offer or sale of any 2025 M Bonds has been authorized in any country or jurisdiction where action for that purpose is required, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations. The Issuing Entity will have no responsibility with respect to the right of any person to offer or sell 2025 M Bonds or to distribute this Offering Memorandum or any other offering material relating to the 2025 M Bonds in any country or jurisdiction except in compliance with applicable law.

The 2025 M Bonds are new securities for which there currently is no market. The Initial Purchasers intend to make a market in the 2025 M Bonds as permitted by applicable law. They are not obligated, however, to make a market in the 2025 M Bonds and any market making may be discontinued at any time at their sole discretion and without notice. Accordingly, no assurance can be given as to the development or liquidity of any market for the 2025 M Bonds.

It is expected that delivery of the 2025 M Bonds will be made against payment therefor on the closing date specified on the cover page of this Offering Memorandum, which may be more than three Business Days following the date of pricing of the 2025 M Bonds.

The Initial Purchasers' Representations with Respect to EEA Related Investors

The Initial Purchasers will represent and agree that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any 2025 M Bonds to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of EU MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

(iii) not a qualified investor as defined in the EU Prospectus Regulation); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of sales to UK retail investors

The Initial Purchasers will represent and agree that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any 2025 M Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Commission Delegated Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the UK's European Union (Withdrawal) Act 2018; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the UK's European Union (Withdrawal) Act 2018.

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the UK's European Union (Withdrawal) Act 2018; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the 2025 M Bonds to be offered.

The Initial Purchasers will represent and agree that:

(i) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the 2025 M Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuing Entity; and

(ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the 2025 M Bonds in, from or otherwise involving the UK.

Various Types of Initial Purchaser Transactions That May Affect the Price of the 2025 M Bonds

The Initial Purchasers or their affiliates may in the future receive customary fees relating to, and the Initial Purchasers may from time to time take positions in, the 2025 M Bonds.

We estimate that our share of the total expenses of the offering will be $2,624,782.60.

The Initial Purchasers are purchasing the 2025 M Bonds and reoffering them, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters, including the validity of the 2025 M Bonds and other conditions contained in the Bond Purchase Agreement, such as receipt of ratings confirmations, officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers and to reject offers in whole or in part.

The Issuing Entity expects to deliver the 2025 M Bonds against payment for the 2025 M Bonds on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the seventh (7^{th}) business day following the date of pricing of the 2025 M Bonds. Since trades in the secondary market generally settle in one (1) business day, purchasers who wish to trade 2025 M Bonds on the date of pricing or the succeeding five (5) business days will be required, by virtue of the fact that the 2025 M Bonds initially will settle in T + 7, to specify alternative settlement arrangements to prevent a failed settlement.

AFFILIATIONS AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Issuing Entity is a wholly-owned subsidiary of ERCOT. ERCOT is a 501(c)(4) non-profit corporation organized under Texas law serving as an ISO. An Initial Purchaser, Citigroup Global Markets Inc., also served as structuring agent to ERCOT in connection with the structuring of the 2022 N Bonds. Each of the sponsor, the initial servicer and the depositor

may maintain other banking relationships in the ordinary course with U.S. Bank, including as sponsor, servicer and depositor with respect to the 2022 N Bonds for which U.S. Bank Trust Company, National Association, an affiliate of U.S. Bank N.A., serves as trustee.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the 2025 M Bonds. Except as specifically provided below with respect to Non-U.S. Holders (as defined below), this discussion does not address the tax consequences to persons other than initial purchasers who are U.S. Holders (as defined below) that hold their 2025 M Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code, and it does not address all of the tax consequences relevant to investors that are subject to special treatment under the U.S. federal income tax laws (such as financial institutions, life insurance companies, retirement plans, regulated investment companies, persons who hold 2025 M Bonds as part of a "straddle," a "hedge" or a "conversion transaction," persons that have a "functional currency" other than the United States dollar, investors in pass-through entities and tax-exempt organizations). This summary also does not address the consequences to holders of the 2025 M Bonds under state, local or foreign tax laws. However, by acquiring a 2025 M Bond, a bondholder agrees to treat its 2025 M Bond as debt of ERCOT for federal tax purposes unless otherwise required by appropriate taxing authorities.

This summary is based on current provisions of the Internal Revenue Code, the Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rulings and pronouncements of the IRS and interpretations thereof. All of these authorities and interpretations are subject to change, and any change may apply retroactively and affect the accuracy of the opinions, statements and conclusions set forth in this discussion.

U.S. Holder and Non-U.S. Holder Defined

A "U.S. Holder" means a beneficial owner of a bond that, for U.S. federal income tax purposes, is (i) a citizen or individual resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (A) a court in the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) it has a valid election in place to be treated as a U.S. person. A "**Non-U.S. Holder**" means a beneficial owner of a bond that is not a U.S. Holder but does not include (i) an entity or arrangement treated as a partnership for U.S. federal income tax purposes, (ii) a former citizen of the United States or (iii) a former resident of the United States.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes is a holder of a bond, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners are encouraged to consult their tax advisors about the particular U.S. federal income tax consequences applicable to them. Similarly, former citizens and former residents of the United States are encouraged to consult their tax advisors about the particular U.S. federal income tax consequences that may be applicable to them.

ALL PROSPECTIVE HOLDERS OF 2025 M BONDS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISERS REGARDING THE FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF BONDS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY FOREIGN, STATE, LOCAL OR OTHER LAWS.

Taxation of the Issuing Entity and Characterization of the 2025 M Bonds

It is the opinion of Winstead PC, as tax counsel, that for U.S. federal income tax purposes, (1) the Issuing Entity will not be treated as a taxable entity separate and apart from ERCOT and (2) the 2025 M Bonds will be treated as debt of ERCOT. By acquiring a 2025 M Bond, a beneficial owner agrees to treat the 2025 M Bond as debt of ERCOT for U.S. federal income tax purposes. This opinion is based on certain representations made by us and ERCOT, on the application of current law to the facts as established by the Indenture and other relevant documents and assumes compliance with the Indenture and such other documents as in effect on the date of issuance of the 2025 M Bonds.

Tax Consequences to U.S. Holders

Interest

Interest income on the 2025 M Bonds, payable at a fixed rate, will be includible in income by a U.S. Holder when it is received, in the case of a U.S. Holder using the cash receipts and disbursements method of tax accounting, or as it accrues, in the case of a U.S. Holder using the accrual method of tax accounting.

Original Issue Discount

The 2025 M Bonds may be issued with an original issue discount, or OID. Notwithstanding a U.S. Holder's usual method of tax accounting, any OID on a 2025 M Bond will be includible in the U.S. Holder's income when it accrues in accordance with the constant yield method, which takes into account the compounding of interest, in advance of receipt of the cash attributable to such income. In general, the 2025 M Bonds will be treated as issued with OID if the "stated redemption price at maturity" of the 2025 M Bonds (ordinarily, the initial principal amount of the 2025 M Bonds) exceeds the "issue price" of the 2025 M Bonds (ordinarily, the price at which a substantial amount of the 2025 M Bonds is sold to the public) by more than a statutorily defined "de minimis" amount.

Sale or Retirement of Bonds

On a sale, exchange or retirement of a 2025 M Bond, a U.S. Holder will have taxable gain or loss equal to the difference between the amount received by the U.S. Holder and the U.S. Holder's tax basis in the 2025 M Bond. A U.S. Holder's tax basis in a 2025 M Bond is the U.S. Holder's cost, subject to adjustments such as increases in basis for any OID previously included in income and reductions in basis for principal payments received previously. Gain or loss will generally be capital gain or loss on the sale or retirement of a 2025 M Bond, and will be long-term capital gain or loss if the 2025 M Bond was held for more than one (1) year at the time of disposition. If a U.S. Holder sells a 2025 M Bond between interest payment dates, a portion of the amount received will reflect interest that has accrued on the 2025 M Bond but that has not yet been paid by the sale date. To the extent that amount has not already been included in the U.S. Holder's income, it will be treated as ordinary interest income and not as capital gain. Long-term capital gains of non-corporate U.S. Holders may be eligible for reduced rates of taxation. The deductibility of capital losses by both corporate and non-corporate U.S. Holders is subject to limitations.

3.8% Tax on "Net Investment Income"

Certain non-corporate U.S. holders of 2025 M Bonds will be subject to an additional 3.8% tax on all or a portion of their "net investment income," which may include the interest payments and any gain realized with respect to the 2025 M Bonds, to the extent of their net investment income that, when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), or $125,000 for a married individual filing a separate return. The 3.8% tax is determined in a manner different from the regular income tax.

Tax Consequences to Non-U.S. Holders

Withholding Tax on Interest

Subject to the discussion of FATCA and backup withholding below, payments of interest income on the 2025 M Bonds received by a Non-U.S. Holder that does not hold its 2025 M Bonds in connection with the conduct of a trade or business in the United States generally will not be subject to U.S. federal withholding tax, provided that the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of ERCOT entitled to vote, is not a controlled foreign corporation for U.S. federal income tax purposes directly or indirectly related to ERCOT within the meaning of section 881(c)(3)(C) of the Code and is not a bank whose receipt of interest on the 2025 M Bonds is described in section 881(c)(3)(A) of the Code, is not an individual who ceased being a U.S. citizen or long-term resident for tax avoidance purposes, and the withholding agent receives:

- from a Non-U.S. Holder appropriate documentation to treat the payment as made to a foreign beneficial owner under Treasury Regulations issued under Section 1441 of the Code;

- a withholding certificate from a person claiming to be a foreign partnership and the foreign partnership has received appropriate documentation to treat the payment as made to a foreign beneficial owner in accordance with these Treasury Regulations;

- a withholding certificate from a person representing to be a "intermediary" that has assumed primary withholding responsibility under these Treasury Regulations and the qualified intermediary has received appropriate documentation from a foreign beneficial owner in accordance with its agreement with the IRS; or

- a statement, under penalties of perjury from an authorized representative of a financial institution, stating that the financial institution has received from the beneficial owner a withholding certificate described in these Treasury Regulations or that it has received a similar statement from another financial institution acting on behalf of the foreign beneficial owner and a copy of such withholding certificate.

In general, it will not be necessary for a Non-U.S. Holder to obtain or furnish a United States taxpayer identification number to ERCOT or its paying agent in order to claim the foregoing exemption from United States withholding tax on payments of interest. Interest paid to a Non-U.S. Holder will be subject to a United States withholding tax of thirty percent (30%) upon the actual payment of interest income, except as described above and except where an applicable income tax treaty provides for the reduction or elimination of the withholding tax and the Non-U.S. Holder provides a withholding certificate properly establishing such reduction or elimination. A Non-U.S. Holder generally will be taxable in the same manner as a United States corporation or resident with respect to interest income if the income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States). Effectively connected income received by a Non-U.S. Holder that is a corporation may in some circumstances be subject to an additional "branch profits tax" at a thirty percent (30%) rate, or if applicable, a lower rate provided by an income tax treaty. To avoid having the 30% withholding tax imposed on effectively connected interest income, the Non-U.S. Holder must provide a withholding certificate on which the Non-U.S. Holder certifies, among other facts, that payments on the Bonds are effectively connected with the conduct of a trade or business of the Non-U.S. Holder in the United States.

Capital Gains Tax Issues

Subject to the discussion concerning backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of 2025 M Bonds, unless:

- the Non-U.S. Holder is an individual who is present in the United States for one-hundred and eighty-three (183) days or more during the taxable year and certain other conditions are met; or

- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

FATCA

Under the "Foreign Account Tax Compliance Act", or **FATCA**, a thirty percent (30%) withholding tax is generally imposed on certain payments, including payments of U.S.-source interest made to "foreign financial institutions" and certain other foreign entities if those foreign entities fail to comply with the requirements of FATCA. The withholding agent will be required to withhold amounts under FATCA on payments made to Non-U.S. Holders that are subject to the FATCA requirements but fail to provide the withholding agent with proof that they have complied with such requirements.

Backup Withholding

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the 2025 M Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. A U.S. Holder can obtain a complete exemption from the backup withholding tax by providing a properly completed Form W-9 (Payer's Request for Taxpayer Identification Number and Certification). Compliance with the identification procedures

described above under “Tax Consequences to Non-U.S. Holders—Withholding Taxation on Interest” would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

In addition, backup withholding of U.S. federal income tax may apply upon the sale of a 2025 M Bond to (or through) a broker, unless either (1) the broker determines that the seller is an exempt recipient or (2) the seller provides, in the required manner, certain identifying information and, in the case of a Non-U.S. Holder, certifies that the seller is a Non-U.S. Holder (and certain other conditions are met). The sale may also be reported by the broker to the IRS, unless either (a) the broker determines that the seller is an exempt recipient or (b) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the seller’s non-U.S. status would be made normally on an IRS Form W-8BEN signed under penalty of perjury, although in certain cases it may be possible to submit other documentary evidence. A sale of a 2025 M Bond to (or through) a non-U.S. office of a broker generally will not be subject to information reporting or backup withholding unless the broker is a United States person or has certain connections to the United States.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s U.S. federal income tax provided the required information is timely furnished to the IRS.

ERISA CONSIDERATIONS

General

Holders of 2025 M Bonds may include (i) “employee benefit plans” as defined in Section 3(3) of ERISA, that are subject to Part 4 of Subtitle B of Title I of ERISA (“ERISA Plans”); (ii) “plans” as defined in and subject to Section 4975 of the Code, which include individual retirement accounts (“IRAs”); and (iii) entities (including certain insurance company general and separate accounts and certain investment funds) or entities whose underlying assets include “plan assets” of any of the foregoing by reason of such an employee benefit plan’s or plan’s investment in such entity (each, a “Benefit Plan Investor”). The following is a brief summary of some of the material investment considerations that may apply to Benefit Plan Investors under ERISA and Section 4975 of the Code. Each Benefit Plan Investor should consider the matters described below in determining whether to invest in the 2025 M Bonds or any interest therein and should consult with its own legal counsel concerning the implications of an investment in the 2025 M Bonds or any interest therein.

The fiduciary investment considerations and prohibited transaction rules summarized herein generally apply to private employee benefit plans, plans and certain collective investment vehicles in which such employee benefit plans or plans invest, but generally do not apply to governmental plans (within the meaning of Section 3(32) of ERISA), plans maintained outside of the U.S primarily for the benefit of persons substantially all of whom are non-resident aliens as described in Section 4(b)(4) of ERISA (“Non-U.S. Plans”) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA); provided, however, that such plans may be subject to federal, state, local or other laws that are substantially similar to Title I of ERISA or Section 4975 of the Code (“Similar Law”). Also, it should be noted that governmental or church plans may be subject to provisions of applicable federal law, including, for example, in the case of any governmental or church plan that is qualified under Section 401(a) of the Code and exempt from taxation under Section 501(a) of the Code but not subject to Section 4975 of the Code, the restrictions imposed under Section 503 of the Code. Based on the foregoing and subject to considerations and conditions described below, such governmental plans, church plans and Non-U.S. Plans subject to Similar Law may acquire the 2025 M Bonds or any interest therein. Prospective investors who are or acting on behalf of, or, or using assets of, any such governmental plans, church plans or Non-U.S. Plans should consult their own counsel concerning the implications of an investment in the 2025 M Bonds or any interest therein.

The following summary of certain aspects of ERISA and Section 4975 of the Code is based upon the statutes, judicial decisions, and regulations and rulings of the U.S. Department of Labor and the IRS in existence on the date hereof. This summary is general in nature and does not address every issue under ERISA or the Code that may be applicable to the investment in the 2025 M Bonds or a particular Benefit Plan Investor. Accordingly, each prospective Benefit Plan Investor should consult with its own counsel in order to understand such issues.

Fiduciary and Investment Considerations

ERISA imposes certain requirements on fiduciaries of an ERISA Plan in connection with the investment of the assets of the ERISA Plan.

A fiduciary of an investing ERISA Plan is any person who in connection with the assets of the ERISA Plan:

- has or exercises discretionary authority or control over the management or disposition of assets, or
- provides investment advice, or has authority or responsibility to provide such advice, for a fee.

As a general matter, ERISA does not bar ERISA Plans from investing in any specific type of investment. Instead, ERISA requires, among other things, that an ERISA Plan fiduciary invest plan assets in accordance with its fiduciary duties prescribed under ERISA. Fiduciaries of ERISA Plans must give appropriate consideration to, among other things, the role that an investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed to reasonably further the ERISA Plan's purposes, the investment's risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan's objectives, and the limited right to withdraw all or any part of their capital or to transfer their holdings.

Additionally, fiduciaries (or any other entities acting on behalf of, or using assets of) of Benefit Plan Investors) must determine whether investment in the 2025 M Bonds constitutes a direct or indirect transaction with a "party in interest" (under ERISA) or a "disqualified person" (under Section 4975 of the Code). Section 406 of ERISA and Section 4975 of the Code specifically prohibit a broad range of transactions involving the assets of a Benefit Plan Investor and persons who have certain specified relationships to the Benefit Plan Investor, referred to as "parties in interest," as defined under ERISA or "disqualified persons" as defined under Section 4975 of the Code unless a statutory or administrative exemption is available. The types of transactions that are prohibited include:

- sales, exchanges or leases of property;
- loans or other extensions of credit; and
- the furnishing of goods or services.

Certain persons that participate in a prohibited transaction may be subject to an excise tax under Section 4975 of the Code or a penalty imposed under Section 502(i) of ERISA, unless a statutory or administrative exemption is available. In addition, the persons involved in a prohibited transaction may have to cancel the transaction. Further, individual retirement accounts involved in a prohibited transaction may be disqualified which would result in adverse tax consequences to the owner of the account.

Further, the failure of a fiduciary with respect to a Benefit Plan Investor to abide by its duties under ERISA may result in personal liability of the fiduciary to the Benefit Plan Investor for any losses to the Benefit Plan Investor resulting from the fiduciary's breach of responsibility, and for restoration to the Benefit Plan Investor of any profits the fiduciary made through the use of the assets of the Benefit Plan Investor by the fiduciary.

Regulation of Assets Included in a Plan

A fiduciary's investment of the assets of a Benefit Plan Investor in certain pooled investment vehicles can cause the assets of such pooled investment vehicles to be deemed "plan assets" of the Benefit Plan Investor. United States Department of Labor regulations at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, collectively, the "**Plan Asset Regulations**." The Plan Asset Regulations provide that the assets of an entity will be deemed to be assets of a Benefit Plan Investor that acquires an interest in the entity if the interest that is acquired by the Benefit Plan Investor is an equity interest, equity participation in the entity by Benefit Plan Investors is "significant" within the meaning of the Plan Asset Regulations and none of the other exceptions contained in the Plan Asset Regulations applies. An equity interest is defined in the Plan Asset Regulations as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is no authority directly on point, it is anticipated that the 2025 M Bonds should not be treated as an equity interest in the Issuing Entity for purposes of ERISA.

If, however, the 2025 M Bonds were deemed to be equity interests in us and none of the exceptions contained in the Plan Asset Regulations were applicable, then our assets would be considered to be assets of any Benefit Plan Investors that acquire the 2025 M Bonds. The extent to which the 2025 M Bonds are owned by Benefit Plan Investors will not be monitored.

If our assets were deemed to constitute "plan assets" pursuant to the Plan Asset Regulations, transactions we might enter into, or may have entered into in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and or Section 4975 of the Code. Furthermore, under such circumstances, fiduciaries of ERISA Plans would need to determine whether the ERISA Plan's undivided interest in us constitutes a prudent investment for such plan, taking into account the abovementioned fiduciary considerations.

In addition, and without regard to whether the 2025 M Bonds are treated as indebtedness or equity for purposes of the Plan Asset Regulations, the acquisition or holding of the 2025 M Bonds by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction under ERISA or Section 4975 of the Code if we or the Trustee, ERCOT, any other servicer, any Initial Purchaser or certain of their affiliates has, or acquires, a relationship to such Benefit Plan Investor. Before acquiring any 2025 M Bonds by or on behalf of a Benefit Plan Investor, you should consider whether the purchase and holding of 2025 M Bonds might result in a prohibited transaction under ERISA or Section 4975 of the Code and, if so, whether any prohibited transaction exemption might apply to the acquisition, holding or disposition of the 2025 M Bonds. Each purchaser or holder of the 2025 M Bonds that is or acting on behalf of, or using assets of, a Benefit Plan Investor, will be deemed by virtue of its acquisition of the 2025 M Bonds or any interest therein to have represented and warranted that its acquisition, holding and disposition of the 2025 M Bonds or any interest therein will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. In addition, each purchaser or holder of the 2025 M Bonds that is or is acting on behalf of, or using assets of, a governmental plan, church plan or Non-U.S. Plan subject to Similar Law will be deemed by virtue of its acquisition of the 2025 M Bonds or any interest therein to have represented and warranted that its acquisition, holding and disposition of the 2025 M Bonds or any interest therein will not result in a violation of Similar Law.

Prohibited Transaction Exemptions

If you are a fiduciary with respect to a Benefit Plan Investor, before purchasing any bonds, you should consider the availability of one of the Department of Labor's prohibited transaction class exemptions, referred to as "PTCEs," which include the following PTCEs as may be amended from time to time, or one of the statutory exemptions provided by ERISA or Section 4975 of the Code, which include:

- PTCE 75-1, which exempts certain transactions between a plan and certain broker-dealers, reporting dealers and banks;

- PTCE 84-14, which exempts certain transactions effected on behalf of a plan by a "qualified professional asset manager;"

- PTCE 90-1, which exempts certain transactions between insurance company separate accounts and parties in interest;

- PTCE 91-38, which exempts certain transactions between bank collective investment funds and parties in interest;

- PTCE 95-60, which exempts certain transactions between insurance company general accounts and parties in interest;

- PTCE 96-23, which exempts certain transactions effected on behalf of a plan by an "in-house asset manager;" and

- the statutory service provider exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, which exempts certain transactions between plans and parties in interest that are not fiduciaries with respect to the transaction.

We cannot provide any assurance that any of these PTCEs or statutory exemptions will apply with respect to any particular investment in the 2025 M Bonds by, or on behalf of, or with assets of, a Benefit Plan Investor or, even if it were deemed to apply, that any exemption would apply to all transactions that may occur in connection with the investment. Even if one of these class exemptions or statutory exemptions were deemed to apply, 2025 M Bonds may not be acquired with assets of any Benefit Plan Investor if we or the Trustee, ERCOT, any other servicer, any underwriter or any of their affiliates:

- has investment discretion over the assets of the Benefit Plan Investor used to purchase the 2025 M Bonds;

- has authority or responsibility to give, or regularly gives, investment advice regarding the assets of the Benefit Plan Investor used to acquire the 2025 M Bonds, for a fee and under an agreement or understanding that the advice will serve as a primary basis for investment decisions for the assets of the Benefit Plan Investor, and will be based on the particular investment needs of the Benefit Plan Investor; or

- unless PTCE 90-1 or 91-38 applied to the purchase and holding of the 2025 M Bonds, is an employer maintaining or contributing to the Benefit Plan Investor.

Consultation with Counsel; No Investment Advice

The sale of the 2025 M Bonds to a Benefit Plan Investor will not constitute a representation by us or the Trustee, ERCOT, any other servicer, any Initial Purchaser or any of their affiliates that such an investment meets all relevant legal requirements relating to investments by such Benefit Plan Investors generally or by any particular Benefit Plan Investor, or that such an investment is appropriate for such Benefit Plan Investors generally or for a particular Benefit Plan Investor.

If you are a fiduciary which proposes to acquire the 2025 M Bonds on behalf of or with assets of a plan, you should consider your general fiduciary obligations under ERISA and you should consult with your legal counsel as to the potential applicability of ERISA and the Code to any investment and the availability of any prohibited transaction exemption in connection with any investment.

We are not undertaking to provide individualized investment advice, or to give advice in a fiduciary capacity, that will serve as the primary basis of a Benefit Plan Investor's decision to invest in the 2025 M Bonds. Accordingly, this Offering Memorandum is not intended, and should not be construed, to constitute fiduciary investment advice by us, or any affiliate, regarding the investment or management of assets held by a Benefit Plan Investor.

LEGAL PROCEEDINGS

ERCOT is not aware of any litigation contesting the validity of Subchapter M or the debt obligation order or the ability of the servicer to collect the default charges. Under PURA § 39.603(h), the debt obligation order is not subject to rehearing and was only permitted to be reviewed by an appeal by a party to the proceeding to Travis County district court that was filed not later than the 15th day after the debt obligation order was signed by the Commission. No such appeal was filed.

ERCOT is presently a party to certain litigation identified below.

Winter Storm Uri Litigation—Wrongful Death, Personal Injury, and Property Damage

In re Winter Storm Uri Litigation, Cause No. 21-0313, before the Judicial Panel on Multi-District Litigation, or MDL, Pretrial to be Conducted in Master Cause No. 2021-41903 in the 281st Judicial District Court, Harris County, Texas.

Following Winter Storm Uri in February 2021, ERCOT was named in more than one hundred wrongful death, personal injury, and property damage lawsuits, including at least two class action lawsuits and several subrogation lawsuits by hundreds of insurance carriers asserting claims on behalf of their insureds. ERCOT sought and obtained transfer of all related matters to an MDL pre-trial court. ERCOT's motion to transfer to an MDL was granted and the MDL is pending in Harris County, Texas. The pretrial court dismissed the claims against ERCOT in five bellwether cases, and those dismissals are now final. Following the Texas Supreme Court's ruling in *CPS Energy* that ERCOT is entitled to sovereign immunity, all plaintiffs that were known to ERCOT to have asserted claims against ERCOT have agreed to the dismissal of their claims against ERCOT. The MDL includes many other defendants other than ERCOT and is ongoing.

Winter Storm Uri Litigation—Pricing Disputes

There were multiple lawsuits, appeals and bankruptcy proceedings contesting the wholesale price of electricity during Winter Storm Uri. Multiple parties contested the validity of the Commission's electricity pricing orders issued during Winter Storm Uri, and/or they asserted that ERCOT improperly set the price of electricity or held the price of electricity at the market cap for too long at the end of the storm in contravention of the Commission's orders. The majority of those lawsuits have been disposed or voluntarily dismissed after the Texas Supreme Court determined in June of 2024 that the Commission's pricing orders were valid in *Public Utility Commission of Texas v. Luminant Energy Company, LLC*, 691 S.W.3d 448 (Tex. 2024). A related challenge to a Commission order approving protocols adopted by ERCOT after Winter Storm Uri related

to pricing was rejected by the Texas Supreme Court in *PUCT v. RWE Renewables Americas, LLC*, 691 S.W.3d 484 (Tex. 2024).

The bankruptcy proceedings that are ongoing that relate to Winter Storm Uri include the following, which also include claims against ERCOT under various causes of action seeking to impose personal liability:

Anna Phillips, as trustee of the Entrust Liquidating Trust v. Electric Reliability Council of Texas, Inc., Adv. Pro. No. 22-03018, in the United States Bankruptcy Court for the Southern District of Texas.

Russell Nelms, as Plan Administrator for the Estate of Griddy Energy, LLC v. Electric Reliability Council of Texas, Inc., Adv. Pro. No. 22-03315; in the United States Bankruptcy Court for the Southern District of Texas.

There were a number of other suits and threatened actions related to Winter Storm Uri that were individually immaterial but raised many of the same issues as the proceedings noted above. Those suits, or the claims against ERCOT in those suits, have been dismissed.

Other Litigation

Texas Industrial Energy Consumers v. Public Utility Commission of Texas, et. al., No. D-1-GN-23-001430; in the 455th Judicial District Court, Travis County, Texas, currently on appeal in No. 15-24-00043-CV, in the Fifteenth Court of Appeals, Austin, Texas, to which ERCOT is not a party but appeared as Amicus Curiae.

Tex. Pub. Util. Comm'n, *Joint Industrial Consumers Complaint and Appeal of the Decision of the Electric Reliability Council of Texas, Inc.*, Docket No. 55660, Item No. 1 (Oct. 10, 2023), to which ERCOT is a party, and that is currently abated pending the outcome of the claim against the Commission described above.

Some market participants have contested amendments to ERCOT's Amended and Restated Bylaws that were adopted by ERCOT's Board of Directors and approved by the Commission in the above disputes.

Aspire Power Venture, LP v. Public Utility Commission of Texas, et. al., No. D-1-GN-24-003384; in the 345th Judicial District Court of Travis County, Texas, currently on appeal in No. 15-24-00118-CV in the Fifteenth Court of Appeals, Austin, Texas.

Aspire joined ERCOT as a party to this pending lawsuit in which Aspire alleges that ERCOT's adoption and the Commission's approval of the ERCOT Nodal Protocols creating and implementing the ERCOT Contingency Reserve Service (ECRS) were illegal and invalid. Aspire alleges, in part, that the adoption of ERCOT Nodal Protocols should be subject to the Texas Administrative Procedure Act, Texas Gov't Code Ch. 2001.

There are other suits and threatened actions against ERCOT that are individually immaterial or are unrelated to the 2025 M Bonds and ERCOT's role as servicer.

ERCOT is vigorously defending against the foregoing litigation and will continue to do so. ERCOT cannot predict the outcome of the litigation. ERCOT has and will assert defenses to the litigation, including without limitation, sovereign immunity and exclusive jurisdiction where appropriate.

While ERCOT does not anticipate financial exposure from the litigation described above—based on its belief that any significant adverse award or reduction in collections would be subject to market resettlement among market participants—certain other litigation matters could expose ERCOT to financial risk. While we believe the risk of material adverse financial exposure to ERCOT from any litigation is generally low—particularly in light of the recent ruling by the Texas Supreme Court in CPS Energy v. Electric Reliability Council of Texas affirming ERCOT's sovereign immunity—if an adverse outcome were to directly impact ERCOT and exceed the scope of its Commission-approved budget, ERCOT would need to seek Commission approval for a revised budget and a process to address the financial impact. Although such a scenario has not occurred in ERCOT's history, ERCOT believes, based on prior interactions with the Commission in other contexts, that the Commission would take appropriate action. However, ERCOT cannot predict the timing, nature, or substance of the Commission's response. If the Commission's response is not fully supportive, an adverse litigation outcome could materially affect ERCOT's operations and its ability to act as servicer for the 2025 M Bonds.

RATINGS FOR THE TEXAS STABILIZATION 2025 M BONDS

We expect that the 2025 M Bonds will receive a credit rating from one NRSRO. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning NRSRO. Each rating should be evaluated independently of any other rating. No person is obligated to maintain the rating on any bonds and, accordingly, we can give no assurance that the ratings assigned the 2025 M Bonds upon initial issuance will not be lowered or withdrawn by a NRSRO at any time thereafter. If a rating of the 2025 M Bonds is lowered or withdrawn, the liquidity of the 2025 M Bonds may be adversely affected. In general, ratings address credit risk and do not represent any assessment of any particular rate of principal payments on the 2025 M Bonds other than the payment in full of the 2025 M Bonds by the final maturity date, as well as the timely payment of interest.

Under Rule 17g-5 of the Exchange Act, NRSROs providing the sponsor with the requisite certification will have access to all information posted on a website by the sponsor for the purpose of determining the initial rating and monitoring the rating after the closing date in respect of the 2025 M Bonds. As a result, an NRSRO other than the NRSRO hired by the sponsor (hired NRSRO) may issue ratings on the 2025 M Bonds (Unsolicited Ratings), which may be lower, and could be significantly lower, than the ratings assigned by the hired NRSROs. The Unsolicited Ratings may be issued prior to, or after, the closing date in respect of the 2025 M Bonds. Issuance of any Unsolicited Rating will not affect the issuance of the 2025 M Bonds. Issuance of an Unsolicited Rating lower than the ratings assigned by the hired NRSRO on the 2025 M Bonds might adversely affect the value of the 2025 M Bonds and, for regulated entities, could affect the status of the 2025 M Bonds as a legal investment or the capital treatment of the 2025 M Bonds. Investors in the 2025 M Bonds should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of the hired NRSRO.

A portion of the fees paid by ERCOT to the NRSRO which is hired to assign a rating on the 2025 M Bonds is contingent upon the issuance of the 2025 M Bonds. In addition to the fees paid by ERCOT to a hired NRSRO at closing, ERCOT will pay a fee to the hired NRSRO for ongoing surveillance for so long as the 2025 M Bonds are outstanding. However, no NRSRO is under any obligation to continue to monitor or provide a rating on the 2025 M Bonds.

WHERE PROSPECTIVE INVESTORS CAN FIND MORE INFORMATION

Copies of our LLC Agreement and each of the debt obligation order, the Indenture, the Series Supplement, the Servicing Agreement, the Sale Agreement, the Administration Agreement and the Intercreditor Agreement will be held on file with the Trustee. Prior to the closing date, the Initial Purchasers will make available for review by prospective investors in the 2025 M Bonds upon request copies of our LLC Agreement and the debt obligation order, and the forms of the Indenture, the series supplement, the Servicing Agreement, the Sale Agreement, the Administration Agreement and the Intercreditor Agreement. In addition, prior to the closing date, the Initial Purchasers will make available for review by prospective investors in the 2025 M Bonds, upon request, the form of the Winstead PC's legal opinions that address constitutional law matters.

1940 ACT AND VOLCKER RULE MATTERS

The Issuing Entity will be relying on an exemption from the definition of "investment company" under the 1940 Act although there may be additional exclusions or exemptions available to the Issuing Entity. As a result of such exclusion, the Issuing Entity will not be subject to regulation as an "investment company" under the 1940 Act.

In addition, the Issuing Entity is being structured so as not to constitute a "covered fund" for purposes of the Volcker Rule, or the **Volcker Rule**, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the **Dodd-Frank Act**. As part of the Dodd-Frank Act, federal law prohibits a "banking entity"—which is broadly defined to include banks, bank holding companies and affiliates thereof—from engaging in proprietary trading or holding ownership interests in certain private funds. The definition of "covered fund" in the regulations adopted to implement the Volcker Rule includes (generally) any entity that would be an investment company under the 1940 Act but for the exclusion provided under Sections 3(c)(1) or 3(c)(7) thereunder. Because the Issuing Entity will rely on Rule 3a-7 the 1940 Act, it will not be considered a "covered fund" within the meaning of the Volcker Rule regulations.

RISK RETENTION

The Issuing Entity has determined that its purchase of the default property and the sale of the of 2025 M Bonds is not subject to the credit risk retention requirements imposed by Section 15G of the Exchange Act due to the exemption provided in Rule 19(b)(8) of Regulation RR.

For information regarding the requirements of the European Union Securitization Regulation as to risk retention and other matters, please read "Notice to Investors" and "Risk Factors—Other Risks Associated with an Investment in the 2025 M Bonds--Regulatory provisions affecting certain investors could adversely affect the liquidity of the 2025 M Bonds" in this Offering Memorandum.

LEGAL MATTERS

Certain legal matters relating to the 2025 M Bonds, including certain federal income tax matters, will be passed on by Winstead PC, counsel to ERCOT and us. Certain other legal matters relating to the 2025 M Bonds will be passed on by Richards, Layton & Finger, special Delaware counsel to us, by Kutak Rock, LLP, special regulatory counsel to ERCOT, and by Hunton Andrews Kurth LLP, counsel to the Initial Purchasers.

GLOSSARY OF DEFINED TERMS

Set forth below is a list of the defined terms used in this Offering Memorandum:

"1940 Act" means the Investment Company Act of 1940, as amended.

"2021 M Bonds" means Texas Funding M's Texas Stabilization Subchapter M Bonds, Series 2021.

"2022 N Bonds" means Texas Funding N's Texas Stabilization Subchapter N Bonds, Series 2022.

"2025 M Bonds" means Texas Funding M's Texas Stabilization Subchapter M Bonds, Series 2025.

"*activity ratio share*" means, with respect to each Wholesale Market Participant, its pro rata share of the applicable maximum activity, measured on a megawatt-hour basis.

"*Adjusted Meter Load*" means retail Load usage data that has been adjusted for Unaccounted for Energy (UFE), Transmission Losses, Distribution Losses, and Direct Current Tie exports.

"*Administration Agreement*" means the administration agreement entered into by the Issuing Entity and ERCOT, dated as of November 12, 2021.

"*Affected Investor"* has the meaning ascribed under "Risk Factors – Other Risks Associated with an Investment in the 2025 M Bonds – European Union and United Kingdom Securitization Rules may apply, and the 2025 M Bonds may not be suitable investments for certain investors" in this Offering Memorandum.

"ancillary service" means a service necessary to support the transmission of energy to Loads while maintaining reliable operation of the Transmission Service Provider's transmission system using good utility practice.

"bank business day" means any day which the United States Federal Reserve Bank of New York is open for normal business activity.

"Bankruptcy Code" means Title 11 of the United States Code, as amended.

"basic documents" means the Administration Agreement, the Sale Agreement, the LLC Agreement, the Intercreditor Agreement, the Servicing Agreement, the Indenture, the Bond Purchase Agreement, the 2025 M Bonds and any supplements thereto, and the Bill of Sale given by the seller.

"*Benefit Plan Investors*" has the meaning ascribed to such term under "Notice to Investors" in this Offering Memorandum.

"*Bill of Sale*" means the bill of sale entered into by the Issuing Entity and ERCOT, dated as of November 12, 2021.

"*Bond Purchase Agreement*" means the bond purchase agreement entered into by the Issuing Entity, ERCOT, and the Initial Purchasers, dated as of the date of issuance of the 2025 M Bonds.

"business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Austin, Texas, or New York, New York, or DTC or the corporate trust office of the Trustee at which the Indenture will be administered is, authorized or obligated by law, regulation or executive order to remain closed.

"Clearstream" means Clearstream Banking, Luxembourg, S.A.

"Code" and *"Internal Revenue Code"* mean the United States Internal Revenue Code of 1986, as amended.

"Code Section 4975" means Section 4975 of the Code.

"collateral" means all of our assets pledged to the Trustee for the benefit of the holders of 2025 M Bonds of the 2025 M Bonds, which includes the default property, all rights of the Issuing Entity under the Sale Agreement, the Servicing Agreement and the other documents entered into in connection with the 2025 M Bonds, all rights to the collection account and the subaccounts of the collection account, and all other property of the Issuing Entity relating to the 2025 M Bonds, including all proceeds.

"collection account" means the segregated trust account relating to the 2025 M Bonds designated the collection account and held by the Trustee under the Indenture and, unless the context otherwise indicates, includes a general subaccount, an excess funds subaccount and a supplemental capital subaccount.

"Commission" and "PUCT" mean the Public Utility Commission of Texas.

"*Competitive Retailer*" means a Municipally Owned Utility or an Electric Cooperative that offers Customer Choice and sells electric energy at retail in the restructured electric power market in Texas or a Retail Electric Provider.

"*Congestion Revenue Rights*" or "*CRR*" means a financial instrument that entitles the holder to be charged or to receive compensation (i.e., congestion rent) depending on the instrument, when the ERCOT Transmission Grid is congested in the Day Ahead Market or in Real Time.

"Connected Issuer" has the meaning ascribed to such term under "Notice to Residents of Canada" in this Offering Memorandum.

"*CRRAH*" means a holder of Congestion Revenue Rights.

"*customer*" means an entity that purchases electricity for its consumption.

"*Customer Choice*" means the freedom of a retail customer to purchase electric services, either individually or on an aggregated basis with other retail Customers, from the provider or providers of the Customer's choice and to choose among various fuel types, energy efficiency programs, and renewable power suppliers.

"daily amortization amount" means the amount allocated to each QSE for their portion of the default charges that is to be collected for each day during which energy flows.

"*Day Ahead Market*" means daily, co-optimized market in the 24-hour period before the start of the day, including hours ending 0100 to 2400, during which energy flows, for ancillary service capacity, with respect to CRRs, and forward financial energy transactions.

"debt obligation order" means, unless the context indicates otherwise, the debt obligation order issued by the Commission to ERCOT on October 14, 2021 under Docket No. 52321.

"*default balance*" means an amount of money of not more than *$800 million* that includes only: (1) amounts owed to ERCOT by competitive wholesale market participants from the period beginning 12:01 am., February 12, 2021, and ending

11:59 p.m., February 20, 2021 (the period of emergency) that otherwise would be or have been charged to other wholesale market participants; (2) financial revenue auction receipts used by ERCOT to temporarily reduce amounts short-paid to wholesale market participants related to the period of emergency; and (3) reasonable costs incurred by a state agency or ERCOT to implement a debt obligation order under PURA §§ 39.603 and 39.604, including the cost of retiring or refunding then-existing debt owed by ERCOT.

"*default charges*" means any default charges authorized by the Commission in a debt obligation order to be assessed and collected from Wholesale Market Participants by ERCOT pursuant to PURA to repay amounts financed under Subchapter M of PURA to pay the default balance.

"*default property*" means all default property pertaining to the Texas Stabilization M Bonds, created, sold, assigned, or pledged as authorized by the Commission pursuant to Subchapter M of Chapter 39 of PURA and the debt obligation order, including (i) the right to impose, collect and receive the default charges and (ii) contract rights of ERCOT that existed prior to the time that such rights were first transferred in connection with the issuance of the 2021 M Bonds.

"demand" means the amount of instantaneous electric power in megawatts delivered at any specified point or points on a system.

"*Direct Current Tie*" means any non-synchronous transmission interconnections between ERCOT and non-ERCOT electric power systems.

"*Direct Participants*" means DTC participants that deposit U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments with DTC.

"*Distribution Losses*" means the difference between the energy delivered to the Distribution System and the energy consumed by Customers connected to the Distribution System.

"*Distribution System*" means that portion of an electric delivery system operating under 60 kV that provides electric service to Customers.

"Distributor" has the meaning ascribed to such term under, as applicable, "EU MiFID II Product Governance" and "UK MiFID II Product Governance" in this Offering Memorandum.

"DSTs" means Delaware statutory trusts.

"DTC" means the Depository Trust Company, New York, New York, and its nominee bondholder, Cede & Co.

"DTCC" means The Depository Trust & Clearing Corporation.

"*Due Diligence Requirements*" has the meaning ascribed under "Risk Factors – Other Risks Associated with an Investment in the 2025 M Bonds – European Union and United Kingdom Securitization Rules may apply, and the 2025 M Bonds may not be suitable investments for certain investors" in this Offering Memorandum.

"DUNs" means a unique nine-digit common company identifier used in electronic commerce transactions, supplied by the Data Universal Numbering System (DUNS).

"EEA" means the European Economic Area.

"Electric Cooperative" or "*EC*" means (a) a corporation organized under the Electric Cooperative Corporation Act, Tex. Util. Code Ann. Chapter 161 (Vernon 1998 & Supp. 2007); (b) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct business in Texas; or (c) a successor to an electric cooperative created before June 1, 1999 under a conversion plan approved by a vote of the members of the electric cooperative, regardless of whether the successor later purchases, acquires, merges with, or consolidates with other electric cooperatives.

"eligible institution" means (a) the corporate trust department of the trustee or an affiliate thereof, so long as the trustee or such affiliate has (i) either a short-term deposit or issuer rating from Moody's of at least "P-1" or a long-term unsecured

debt or issuer rating from Moody's of at least "A2" and (ii) a short-term deposit or issuer rating from S&P of at least "A-1" or a long-term unsecured debt or issuer rating from S&P of at least "A", or (b) a depository institution organized under the laws of the United States of America or any state (or any domestic branch of a foreign bank) (i) that has either (A) a long-term unsecured debt or issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's, or (B) a short-term (bank deposit) or issuer rating of "A-1" or higher by S&P and "P-1" or higher by Moody's and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation.

If an eligible institution then being utilized for any purposes under the indenture or the series supplement no longer meets the definition of eligible institution, then we will replace such eligible institution within 60 days of such eligible institution no longer meeting the definition of eligible institution.

"*eligible investments*" means instruments or investment property which evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Trustee or any of its affiliates, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as the commercial paper or other short term debt obligations of such depository institution are, at the time of deposit, rated not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds;

(c) commercial paper (including commercial paper of the Trustee or any of its affiliates, acting in its commercial capacity, and other than commercial paper of ERCOT or any of its affiliates), which at the time of purchase is rated not less than A- 1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds;

(d) investments in money market funds (including funds for which the Trustee or any of its affiliates is investment manager or advisor), which at the time of purchase are rated not less than A1 and P-1 or their equivalents by each of S&P and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Bonds;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or certain of its agencies or instrumentalities, entered into with eligible institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an eligible institution or with a registered broker dealer, acting as principal and that meets the ratings criteria set forth below:

    (i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "A-1+" by Standard & Poor's at the time of entering into this repurchase obligation, or

    (ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "A-1+" by Standard & Poor's at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the rating agencies;

in each case maturing not later than the Business Day immediately preceding the next payment date or special payment date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments which are redeemable on demand will be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments which mature in thirty (30) days or more will be "eligible investments" unless the issuer thereof has either a short-term unsecured debt rating of at least P-1 from Moody's or a long-term unsecured debt rating of at

least A1 from Moody's and also has a long-term unsecured debt rating of at least A+ from S&P; (2) no securities or investments described in clauses (b) through (d) above which have maturities of more than 30 days but less than or equal to three (3) months will be "eligible investments" unless the issuer thereof has a long-term unsecured debt rating of at least A1 from Moody's and a short-term unsecured debt rating of at least P-1 from Moody's; (3) no securities or investments described in clauses (b) through (d) above which have maturities of more than 3 months will be an "eligible investment" unless the issuer thereof has a long-term unsecured debt rating of at least A1 from Moody's and a short-term unsecured debt rating of at least P-1 from Moody's.

"*Entrust*" has the meaning ascribed to such term under "Legal Proceedings" in this Offering Memorandum.

"ERCOT" means the Electric Reliability Council of Texas, Inc., a 501(c)(4) nonprofit corporation formed under the laws of Texas.

"ERCOT Nodal Protocols" means the protocols and procedures adopted by ERCOT, including any attachments or exhibits referenced therein, as amended from time to time, including any protocols related to the default charges.

"ERCOT System" means the interconnected power system that is under the jurisdiction of the Commission and that is not synchronously interconnected with either the Eastern Interconnection grid, which covers the U.S. from the great plains eastward to the Atlantic Coast (excluding most of Texas) and portions of Canada, or the Western Electricity Coordinating Council grid, which covers the Western part of North America (excluding Texas).

"*ERCOT Transmission Grid*" means all transmission facilities that are part of the ERCOT System.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"*ERISA Plans*" means employee benefit plans as defined in Section 3(3) of ERISA, that are subject to Part 4 of Subtitle B of Title I of ERISA.

"*Estimated Monthly Adjusted Meter Load Value*" means the actual Adjusted Meter Load delivered to the responsible QSEs on a monthly basis multiplied by the monthly ERCOT-wide Average Energy Prices Real Time prices per MWh as published by Potomac Economics, Ltd., the independent market monitor for the ERCOT power region.

"Euroclear" means the Euroclear System.

"*EU MiFID II*" has the meaning ascribed to such term under "Notice to European Economic Area Residents" in this Offering Memorandum.

"*EU Prospectus Regulation*" has the meaning ascribed to such term under "Notice to European Economic Area Residents" in this Offering Memorandum.

"*EU Securitization Regulation"* has the meaning ascribed under "Risk Factors – Other Risks Associated with an Investment in the 2025 M Bonds – European Union and United Kingdom Securitization Rules may apply, and the 2025 M Bonds may not be suitable investments for certain investors" in this Offering Memorandum.

"*EU Securitization Rules*" has the meaning ascribed under "Risk Factors – Other Risks Associated with an Investment in the 2025 M Bonds – European Union and United Kingdom Securitization Rules may apply, and the 2025 M Bonds may not be suitable investments for certain investors" in this Offering Memorandum.

"excess funds subaccount" means that subaccount of the collection account into which funds collected by the servicer in excess of amounts necessary to make the payments specified on a given payment date.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"*Exempt Customers*" means, collectively, ICE NGX Canada Inc. and the City of Lubbock, acting through Lubbock Power & Light, or another market participant that reregisters as a clearinghouse.

"*External Load Serving Entities*" means an LSE that is registered as either: a distribution service provider (as that term is defined in P.U.C. Subst. R. 25.5, Definitions), which includes an electric utility, a Municipally Owned Utility, or an Electric Cooperative that has a legal duty to serve one or more customers connected to the ERCOT System but that does not own or operate facilities connecting customers to the ERCOT System; or the Comision Federal de Electricidad.

"extraordinary charges" means reliability deployment price adder charges and fund ancillary services costs in excess of the Commission's system-wide offer cap, but only to the extent these items were charged to LSEs during the period of emergency.

"*FATCA*" means the Foreign Account Tax Compliance Act.

"*FCA*" means the Financial Conduct Authority in the United Kingdom.

"*FDIC*" means the Federal Deposit Insurance Corporation.

"*final maturity date*" means August 1, 2051.

"*Financial Promotion Order*" has the meaning ascribed to such term under "Notice to United Kingdom Investors" in this Offering Memorandum.

"*FINRA*" means the Financial Industry Regulatory Authority.

"*FSMA*" means the Financial Services and Markets Act 2000 of the Parliament of the United Kingdom, as amended. "*HB 4492*" means House Bill 4492 relating to financing certain costs associated with electric markets, granting authority to issue bonds, and authorizing fees, passed during the 87th Texas legislative session.

"*hired NRSRO*" means an NRSRO hired by the sponsor to issue ratings on the Bonds.

"Indenture" means (a) with respect to the 2021 M Bonds, the Indenture dated November 12, 2021 by and between entered into the Issuing Entity and the Trustee; and (b) with respect to the 2025 M Bonds, the Amended and Restated Indenture entered into between the Issuing Entity and the Trustee in connection with the issuance of the 2025 M Bonds, which amends and restates the Indenture described in clause (a).

"*Independent Manager*" means an individual who qualifies as independent under the Issuing Entity's LLC Agreement in that such individual (1) has prior experience as an independent director, Independent Manager or independent member, (2) is employed by a nationally-recognized company that provides professional Independent Managers and other corporate services in the ordinary course of its business, (3) is duly appointed as an Independent Manager and (4) is not and has not been for at least five years from the date of his or her or its appointment, and will not while serving as Independent Manager have any disqualifying restrictions as detailed in the Issuing Entity's amended and restated limited liability company agreement.

"*Independent Organization*" means an independent organization as defined in the PURA § 39.151.

"*Independent System Operator*" or "*ISO*" means (i) an entity supervising the collective transmission facilities of a power region that is charged with non-discriminatory coordination of market transactions, systemwide transmission planning, and network reliability, or (ii) other person that is sufficiently independent of any producer or seller of electricity that its decisions will not be unduly influenced by any producer or seller of electricity.

"*Indirect Participants*" means U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and others that access the DTC system and clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly.

"*Initial Purchasers*" means Citigroup Global Markets Inc., Barclays Capital Inc. and the other initial purchasers who will act as such in the placements of the 2025 M Bonds.

"*Insurance Distribution Directive*" has the meaning ascribed to such term under "Notice to European Economic Area Residents" in this Offering Memorandum.

"*Intercreditor Agreement*" means (a) with respect to the 2021 M Bonds, the Intercreditor Agreement dated as of June 15, 2022, by and among ERCOT (in its individual capacity and in its capacity as servicer of the default property and uplift property), Texas Funding M, Texas Funding N, and the Trustee (in its capacities as indenture trustee of the 2021 M Bonds and the 2022 N Bonds issued by Texas Funding N), pursuant to which the servicer allocates default charge revenues and uplift charge revenues; and (b) with respect to the 2025 M Bonds, the Amended and Restated Intercreditor Agreement entered into among the Issuing Entity, the Trustee (in its capacities as trustee for the 2025 M Bonds and the Texas Stabilization N Bonds), and ERCOT (on behalf of itself and in its capacities as servicer of the 2025 M Bonds and servicer of the 2022 N Bonds issued by Texas Funding N), which amends and restates the agreement described in clause (a) and likewise governs the allocation of default charge revenues and uplift charge revenues.

"interest accrual period" has the meaning ascribed to such term under "Description of the Texas Stabilization Subchapter M Bonds, Series 2025—Interest Payments" in this Offering Memorandum.

"*IRA*" means individual retirement accounts.

"*IRS*" means the Internal Revenue Service of the United States.

"Issuing Entity" means Texas Electric Market Stabilization Funding M LLC.

"Legislature" means the legislature of the state of Texas.

"*LLC Agreement*" means the limited liability company agreement of the Issuing Entity, as amended.

"*Load*" means the amount of energy in MWh delivered at any specified point or points on a system.

"*Load Serving Entity*" means and entity that sells energy to Customers or Wholesale Customers and that has registered as an LSE with ERCOT. LSEs include Competitive Retailers (which includes REPs) and NOIEs that serve Load and External Load Serving Entities.

"market participant" means an entity, other than ERCOT, that engages in any activity that is in whole or in part the subject of the ERCOT Nodal Protocols.

"*Minimum Denomination*" has the meaning ascribed to such term under "Transfer Restrictions" in this Offering Memorandum.

"Moody's" means Moody's Investors Service, Inc. or any successor in interest.

"*Municipally Owned Utility*" or "*MOU*" means a utility owned, operated, and controlled by a nonprofit corporation, the directors of which are appointed by one or more municipalities, or a utility owned, operated, or controlled by a municipality.

"MWh" means megawatt-hour.

"nonbypassable" refers to the right of the servicer to collect the default charges from all existing and future Wholesale Market Participants located within ERCOT's power region, subject to certain limitations specified in PURA and the debt obligation order.

"*Non-Opt In Entity*" or "*NOIE*" means and EC or MOU that does not offer Customer Choice.

"Non-U.S. Holder" means a beneficial owner of a 2025 M Bond that is not a U.S. Holder but does not include (i) an entity or arrangement treated as a partnership for U.S. federal income tax purposes, (ii) a former citizen of the United States or (iii) a former resident of the United States.

"NRSRO" means a nationally recognized statistical rating organization.

"*OID*" means original issue discount.

"*Panda*" has the meaning ascribed to such term under "Legal Proceedings" in this Offering Memorandum.

"*Panda Lawsuit*" has the meaning ascribed to such term under "Legal Proceedings" in this Offering Memorandum.

"payment date" means the date or dates on which interest and principal are to be payable on the 2025 M Bonds.

"periodic billing requirement" means the aggregate amount of default charges calculated by the servicer as necessary to be billed during a period in order to collect the periodic payment requirement on a timely basis.

"periodic payment requirement" means the total dollar amount of default charge collections reasonably calculated by the servicer in accordance with the Servicing Agreement as necessary to be received during a certain period (after giving effect to the allocation and distribution of amounts on deposit in the excess funds subaccount at the time of calculation and which are projected to be available for payments on the 2025 M Bonds at the end of such period and including any shortfalls in periodic payment requirements for certain prior periods) in order to ensure that, as of the last payment date occurring in such period, (1) all accrued and unpaid interest on the 2025 M Bonds then due can be paid in full on a timely basis; (2) the outstanding amount of the 2025 M Bonds is equal to the projected unrecovered balance on each payment date during such period; (3) the balance on deposit in the supplemental capital subaccount equals the required supplemental capital level; and (4) all fees and expenses due and owing and required or allowed to be paid under the Indenture as of such date can be paid in full; provided that, with respect to any true-up occurring after the last scheduled final payment date for the 2025 M Bonds, the periodic payment requirement shall be calculated to ensure that sufficient default charges will be collected to retire the 2025 M Bonds in full as of the next payment date.

"*period of emergency*" means beginning 12:01 a.m., February 12, 2021, and ending 11:59 p.m., February 20, 2021, the period of impact of Winter Storm Uri.

"*Plan*" has the meaning ascribed to such term under "Notice to Investors" in this Offering Memorandum.

"Plan Asset Entity" has the meaning ascribed to such term under "Notice to Investors" in this Offering Memorandum.

"Potamic Economics, Ltd." means the entity of that name that is the independent market monitor for the ERCOT power region.

"*projected unrecovered balance*" means, as of any payment date, the sum of the projected outstanding principal amount of the 2025 M Bonds for such payment date set forth in the expected amortization schedule.

"PTCE" means a prohibited transaction class exemption of the United States Department of Labor.

"PURA" means the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code.

"*Qualified Investor*" has the meaning ascribed to it in Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

"Qualified Scheduling Entity" or "QSE" means a market participant (as defined in Section 16 of the Nodal protocols), that is qualified by ERCOT for communication with ERCOT for certain Load Serving Entities and other entities and for settling payments and charges with ERCOT.

"*QIB*" means a qualified institutional buyer as defined in Rule 144A(a)(i) promulgated under the Securities Act.

"rating agencies" means nationally recognized statistical rating organizations or other comparable entity, including Moody's.

"Rating Agency Condition" means, with respect to any action, not less than ten (10) business days' prior written notification to Moody's of such action, and written confirmation from Moody's to the Trustee and us that such action will not result in a suspension, reduction or withdrawal of the then current rating by such rating agency of the 2025 M Bonds issued by us and that prior to the taking of the proposed action no other rating agency shall have provided written notice to us that such action has resulted or would result in the suspension, reduction or withdrawal of the then current rating of the 2025 M Bonds. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in

writing may be in the form of electronic mail or a press release (which may contain a general waiver of a rating agency's right to review or consent).

"Real Time" means the current instant in time.

"record date" means the date or dates with respect to each payment date on which it is determined the person in whose name each 2025 M Bond is registered will be paid on the respective payment date.

"Regulation AB" means the rules of the SEC promulgated under Subpart 229.1100 - Asset-Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1125, as such may be amended from time to time.

"Regulation S" means Regulation S promulgated under the Securities Act.

"*Related Issuer*" has the meaning ascribed to such term under "Notice to Residents of Canada" in this Offering Memorandum.

"reliability deployment price adder charges" means a current instant price adder that captures the impact of reliability deployments on energy prices.

"required supplemental capital level" means the amount required to be funded in the supplemental capital subaccount, which will equal at least 0.50% of the initial aggregate principal amount of the 2025 M Bonds.

"*Resource Entity*" or "RE" is an entity that owns or controls a generation resource, load resource and a non-modeled generator, as those terms are defined in the ERCOT Nodal Protocols, and is registered with ERCOT as a Resource Entity.

"*Retail Electric Provider*" or "*REP*" means an entity that sells electric energy to retail Customers in Texas but does not own or operate generation assets and is not a Municipally Owned Utility or Electric Cooperative.

"*Risk Retention Requirements*" has the meaning ascribed under "Risk Factors – Other Risks Associated with an Investment in the 2025 M Bonds – European Union and United Kingdom Securitization Rules may apply, and the 2025 M Bonds may not be suitable investments for certain investors" in this Offering Memorandum.

"*RMBS*" means residential mortgage-backed securities.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Sale Agreement" means the Default Property Purchase and Sale Agreement entered into November 12, 2021 between the Issuing Entity and ERCOT, pursuant to which ERCOT sold and Texas Electric Market Stabilization Funding M LLC bought the default property.

"SB 1580" means Senate Bill 1580 relating to the use of securitization by electric cooperatives to address certain weather-related extraordinary costs and expenses and to the duty of electric utility market participants to pay certain amounts owed, passed during the 87th Texas legislative session.

"*scheduled final payment date*" means August 1, 2049.

"*SEC*" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities Intermediary" means U.S. Bank National Association, in its capacity as securities intermediary under the Indenture and, if applicable, any successor Securities Intermediary.

"securitizable amount" means the default balance of $800 million plus the upfront costs associated with the issuance of the 2021 M Bonds or 2025 M Bonds.

"Series Supplement" means the supplement to the Indenture which establishes the specific terms of the 2025 M Bonds.

"servicer" means ERCOT, acting as the servicer, and any successor or assignee servicer, which will service the default property under the Servicing Agreement with the Issuing Entity.

"Servicing Agreement" means (a) with respect to the 2021 M Bonds, the Default Property Servicing Agreement dated as of November 12, 2021 entered into between the Issuing Entity and ERCOT, and (b) with respect to the 2025 M Bonds, the Amended and Restated Default Property Servicing Agreement to be entered into between the Issuing Entity and ERCOT in connection with the offering of the 2025 M Bonds, which amends and restates the agreement described in clause (a).

"Settlement Interval" means the time period for which markets are settled.

"*Similar Law*" has the meaning ascribed to such term under "Notice to Investors" in this Offering Memorandum.

"*special payment*" means with respect to the 2025 M Bonds, any payment of principal or interest on (including any interest accruing upon default), or any other amount in respect of, the 2025 M Bonds that is not actually paid within five (5) days of the payment date applicable thereto.

"*special payment date*" means the date on which a special payment is to be made by the Trustee to the holders of 2025 M Bonds.

"*SPV*" means special purpose vehicle.

"*SSPE*" means securitization special purpose entity.

"*S&P*" means Standard & Poor's Ratings Group, Inc., or any successor thereto.

"*State Pledge*" means the pledge of the state of Texas as set forth in Section 39.663 of PURA.

"Student Loans" has the meaning ascribed to such term under "The Trustee" in this Offering Memorandum.

"Subchapter M" means the Subchapter M of Chapter 39 of PURA.

"*Subject Provinces*" has the meaning ascribed to such term under "Notice to Residents of Canada" in this Offering Memorandum.

"*Terms and Conditions*" means the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law governing securities clearance accounts and cash accounts with Euroclear.

"Texas Funding M" means Texas Electric Market Stabilization Funding M LLC.

"Texas Funding N" means Texas Electric Market Stabilization Funding N LLC.

"Texas Stabilization M Bonds, Series 2021" and "2021 M Bonds" mean the Texas Stabilization Subchapter M Bonds, Series 2021, issued by Texas Funding M.

"Texas Stabilization M Bonds, Series 2025" and "2025 M Bonds" mean the Texas Stabilization Subchapter M Bonds, Series 2025, to be issued by Texas Funding M, hereunder.

"Texas Stabilization N Bonds" and *"2022 N Bonds"* mean the Texas Stabilization Subchapter N Bonds, Series 2022, issued by Texas Funding N.

"*Transmission Losses*" means the difference between energy put into the ERCOT Transmission Grid and energy taken out of the ERCOT Transmission Grid.

"Treasury Regulations" means proposed or issued regulations promulgated from time to time under the Internal Revenue Code.

"true-up" means any annual true-up adjustment, semi-annual adjustment or optional interim true-up adjustment performed in accordance with the debt obligation order.

"*Trustee*" means U.S. Bank National Association in its capacity as trustee under Indenture and, if applicable, any successor trustee.

"*Trustee Cap*" means an amount not to exceed in any twelve (12) month period $100,000.

"Trust Indenture Act" means the Trust indenture Act of 1939, as amended.

"UCC" means the Uniform Commercial Code as in effect from time to time in the state of Texas.

"*UK MiFIR"* has the meaning ascribed to such term under "Notice of United Kingdom Investors" in this Offering Memorandum.

"*UK MiFIR Product Governance*" has the meaning ascribed to such term under "Notice of United Kingdom Investors" in this Offering Memorandum.

"*UK PRIIPS Regulation"* has the meaning ascribed to such term under "Notice of United Kingdom Investors" in this Offering Memorandum.

"*UK Prospectus Regulation*" has the meaning ascribed to such term under "Notice of United Kingdom Investors" in this Offering Memorandum.

"*UK Qualified Investor"* has the meaning ascribed to such term under "Notice of United Kingdom Investors" in this Offering Memorandum.

"*UK Securitization Framework*" means (i) the Securitisation Regulations 2024 (SI 2024/102), as amended as well as (ii) the Securitisation Part of the Prudential Regulation Authority Rulebook and the securitisation sourcebook of the Financial Conduct Authority Handbook.

"*Unaccounted for Energy*" means the difference between total Load for each Settlement Interval, adjusted for applicable Distribution Losses and Transmission Losses, and total ERCOT generation.

"Unsolicited Ratings" means ratings on the Bonds by a NRSRO that was not hired by the sponsor.

"uplift balance" means an amount of money of not more than $2.1 billion that was uplifted to load servicing entities in connection with the issuance of the 2022 N Bonds on a load ratio share basis due to energy consumption during the period of emergency for reliability deployment price adder charges and ancillary services costs in excess of the Commission's system-wide offer cap, excluding amounts securitized under Subchapter D, Chapter 41 of PURA. The term does not include amounts that were part of the prevailing settlement point price during the period of emergency.

"uplift charges" means charges assessed to LSEs to repay amounts financed under Subchapter N to pay the uplift balance and reasonable costs incurred to implement the applicable debt obligation order.

"uplift property" means all uplift property pertaining to the 2022 N Bonds and created, sold, assigned, or pledged as authorized by the Commission pursuant to Subchapter N and the relevant debt obligation order; including the right to impose, collect, and receive the uplift charges.

"*Unreasonable Financial Risk*" as defined under "ERCOT: The Depositor, Seller, Initial Servicer, and Sponsor—QSEs" in this Offering Memorandum.

"U.S. Bank" means U.S. Bank N.A. and U.S. Bank Trust Co.

"U.S. Bank N.A." means U.S. Bank National Association.

"U.S. Bank Trust Co." means U.S. Bank Trust Company, National Association.

"U.S. Holder" means a beneficial owner of a bond that, for U.S. federal income tax purposes, is (i) a citizen or individual resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (A) a court in the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) it has a valid election in place to be treated as a U.S. person.

"Volcker Rule" means Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"*Wholesale Market Participants*" means, collectively, CRRAHs and QSEs (other than Exempt Customers).

$379,100,000 Texas Stabilization Subchapter M Bonds, Series 2025

Electric Reliability Council of Texas, Inc.
Sponsor, Depositor and Initial Servicer

Texas Electric Market Stabilization Funding M LLC
Issuing Entity

Joint Bookrunners

Citigroup **Barclays**
