



# FINANCIAL STATEMENTS

Texas Electric Market Stabilization Funding M, LLC

For the Years Ended December 31, 2025 and 2024

Together with the Independent Auditors' Report

*April 22, 2026*

Texas Electric Market Stabilization Funding M, LLC.

Financial Statements

As of and for the Years Ended  
December 31, 2025 and 2024

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## Independent Auditors' Report

To the Board of Managers of  
Texas Electric Market Stabilization Funding M LLC

### Opinion

We have audited the financial statements of Texas Electric Market Stabilization Funding M, LLC (the Company), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Baker Tilly US, LLP*

Austin, Texas  
April 22, 2026

Texas Electric Market Stabilization Funding M, LLC.

Statements of Financial Position

	<b>As of December 31</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,068	\$ 4,083
Securitization charges receivable, current	7,413	5,914
Interest receivable	106	133
Restricted cash and cash equivalents, current	29,134	26,667
Total current assets	<u>40,721</u>	<u>36,797</u>
Restricted cash equivalents, non-current	1,918	6,971
Securitization charges receivable, non-current	363,537	374,796
Total assets	<u>\$ 406,176</u>	<u>\$ 418,564</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3	\$ 4
Accrued liabilities	7,526	4,936
Payable to ERCOT	221	954
Security deposits	17,584	15,712
Debt payable, current portion	7,785	8,705
Total current liabilities	<u>33,119</u>	<u>30,311</u>
Debt payable, less current portion:		
Principal	371,315	379,817
Less unamortized discount and debt issuance costs	4,176	2,535
Debt payable, less current portion and unamortized discount and debt issuance costs	<u>367,139</u>	<u>377,282</u>
Debt reserves, non-current	1,918	6,971
Total liabilities	<u>402,176</u>	<u>414,564</u>
Net assets without donor restrictions	4,000	4,000
Total liabilities and net assets	<u>\$ 406,176</u>	<u>\$ 418,564</u>

See accompanying notes to the financial statements.



Texas Electric Market Stabilization Funding M, LLC.

Statements of Activities

	Year Ended December 31	
	2025	2024
	<i>(In Thousands)</i>	
<b>Operating revenues:</b>		
Securitization charges fees	\$ 22,647	\$ 11,503
Total operating revenues	<u>22,647</u>	<u>11,503</u>
<b>Operating expenses:</b>		
Outside services	467	413
Total operating expenses	<u>467</u>	<u>413</u>
Income from operations	<u>22,180</u>	11,090
<b>Other income (expense):</b>		
Investment return, net	685	628
Interest expense and amortization of debt issuance cost	<u>(22,865)</u>	<u>(11,718)</u>
Change in net assets without donor restrictions	-	-
Net assets without donor restrictions, beginning of year	4,000	4,000
Net assets without donor restrictions, end of year	<u>\$ 4,000</u>	<u>\$ 4,000</u>

See accompanying notes to the financial statements.

Texas Electric Market Stabilization Funding M, LLC.

Statements of Cash Flows

	Year Ended December 31	
	2025	2024
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets without donor restrictions	\$ -	\$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Amortization of discount and debt issuance costs	116	77
Loss on extinguishment of debt	1,833	-
Changes in operating assets and liabilities:		
Securitization charges receivable	9,760	11,196
Interest receivable	(12)	-
Accounts Payable	(1)	-
Accrued liabilities	2,619	(229)
Payable to ERCOT	(93)	3
Security deposits and reserves	(3,181)	2,115
Net cash provided by operating activities	<b>11,041</b>	13,162
<b>Financing activities</b>		
Proceeds from debt issuance	379,072	-
Repayment of debt payable	(388,522)	(10,260)
Payment of debt issuance costs	(4,192)	-
Net cash (used in) financing activities	<b>(13,642)</b>	(10,260)
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	<b>(2,601)</b>	2,902
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	<b>37,721</b>	34,819
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	<b>\$ 35,120</b>	\$ 37,721

See accompanying notes to the financial statements.

Texas Electric Market Stabilization Funding M, LLC.

Statements of Cash Flows (Continued)

As of and for the Year  
Ended December 31  
2025 2024

(In Thousands)

**Supplemental information**

Cash paid for interest	\$	18,299	\$	11,768
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**Reconciliation of cash, cash equivalents, and restricted cash and cash equivalents to the Statements of Financial Position**

Cash and cash equivalents	\$	4,068	\$	4,083
Restricted cash and cash equivalents, current		29,134		26,667
Restricted cash equivalents, non-current		1,918		6,971
Total cash, cash equivalents, and restricted cash and cash equivalents	\$	35,120	\$	37,721

**Supplemental disclosures of non-cash investing and financing activities**

Debt issuance costs included in payable to ERCOT and accrued liabilities	\$	25	\$	494
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See accompanying notes to the financial statements.

# Texas Electric Market Stabilization Funding M, LLC.

## Notes to Financial Statements *(Dollars in Thousands)*

*As of and for the Years Ended  
December 31, 2025 and 2024*

### **1. Organization and Operations**

Texas Electric Market Stabilization Funding M LLC (TEMSFM, or the Company) was established to facilitate the financing under a Debt Obligation Order. As a result of Winter Storm Uri, extraordinary prices in the wholesale electricity market caused some wholesale market participants to default on their payment obligations to Electric Reliability Council of Texas, Inc. (ERCOT) for power under the ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to fully settle obligations to certain wholesale market participants who were due payments from defaulting market participants for the power they produced during the storm. To address these problems, the Texas Legislature, during the 87th legislative session, enacted two bills that authorized financing mechanisms to provide funds to pay market participants who were previously short-paid and provide liquidity to market participants. One of these bills, House Bill 4492, added Subchapters M and N to chapter 39 of the Public Utility Regulatory Act (PURA) and each provided authority for a financing mechanism to address different aspects of the extraordinary costs incurred due to Winter Storm Uri, with Subchapter M authorizing up to \$800,000 and Subchapter N authorizing up to \$2,100,000, plus reasonable costs. On October 14, 2021, the Public Utility Commission of Texas (PUCT) approved ERCOT's application for a Debt Obligation Order (The Order) under PURA § 39.603 (Subchapter M) and issued The Order.

The Order approves the default balance in an aggregate amount of up to \$800,000; approves the assessment of default charges to all wholesale market participants except those expressly exempted by PURA, 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 and charges in connection with the issuance of debt obligations; authorizes the issuance of Texas Market Stabilization M bonds in one or more series in an aggregate amount of up to \$800,000 for the payment of the default balance; and approves the financing or securitization of default charges and the creation of default property.

# Texas Electric Market Stabilization Funding M, LLC.

## Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2025 and 2024*

### **1. Organization and Operations (continued)**

TEMSFM is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on October 27, 2021, for the limited purpose of (a) imposing, collecting, and receiving default charges (securitization charges) and acquiring default property and related assets to support its obligations under the Texas Market Stabilization M bonds, (b) issuing Texas Market Stabilization M bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Order.

On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021 (M Bonds, Series 2021), pursuant to The Order, which were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts (see Note 6). ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021.

On August 14, 2025, TEMSFM issued \$379,100 of Texas Stabilization M Bonds, Series 2025 (M Bonds, Series 2025), to refinance the unpaid balance due on M Bonds, Series 2021 (see Note 6). ERCOT is the servicer and administrator of M Bonds, Series 2025. The bonds were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to entities which are not “U.S. persons” as defined in, and in compliance with, regulations under the Securities Act. The bonds will not be registered under the Securities Act or any state securities or “Blue Sky” laws and were offered and sold in reliance upon exemption from the registration requirements of the Securities Act and such laws.

### **2. Summary of Significant Accounting Policies**

#### **Method of Accounting**

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2025 and 2024*

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing TEMSFM's objectives. Accordingly, net assets of TEMSFM and changes therein are classified and reported as net assets without donor restrictions. The Company has no net assets with donor restrictions.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities of the financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Cash and cash equivalents consist primarily of capital contribution from ERCOT.

##### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Restricted cash and cash equivalents, current, consist of security deposits from ERCOT's market participants subject to Subchapter M; and payments collected from securitization charges receivable. Restricted cash equivalents, non-current, are reserves pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021 and M Bonds, Series 2025.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2025 and 2024*

#### 2. Summary of Significant Accounting Policies (continued)

##### Restricted Cash and Cash Equivalents (continued)

Payments collected from securitization charges receivable are deposited to a trust account held by the indenture trustee as collateral to ensure timely payment of debt principal and interest. The trustee shall have sole dominion and exclusive control over all money collected from securitization charges receivable.

As of December 31, restricted cash and cash equivalents consist of below:

	<b>2025</b>	<b>2024</b>
Security deposits	\$ 17,584	\$ 15,712
Payments collected from securitization charges receivable	11,550	10,955
Restricted cash and cash equivalents, current	29,134	26,667
Reserve for debt service	-	4,084
Reserve for supplemental capital	1,918	2,887
Restricted cash equivalents, non-current	1,918	6,971
Total	\$ 31,052	\$ 33,638

##### Custodial Credit Risk

TEMSFM maintains cash balances at financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits and are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, TEMSFM's deposits may not be returned. TEMSFM has not experienced, nor does it anticipate, any losses with respect to such cash deposits.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

#### 2. Summary of Significant Accounting Policies (continued)

##### Securitization Charges Receivable and Revenue Recognition

As described in Note 1, TEMSFM is approved to finance the default balance under The Order through Texas Market Stabilization M bonds, Series 2021 and performs other activities relating thereto or otherwise authorized by The Order. TEMSFM has the rights to impose, collect, and receive default charges (securitization charges) along with the other rights arising under The Order. As the issuer of Texas Market Stabilization M bonds, Series 2021 and Series 2025 refinancing of previously issued Series 2021, TEMSFM has the performance obligations to maintain and service the bonds.

Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Wholesale market participants except those expressly exempted by PURA are billed and collected monthly on a pro rata basis in an amount sufficient to ensure the recovery of default charges receivable and ongoing expenses.

Revenue is recognized over time when related services are provided, and related expenses are incurred.

The following table provides information about receivables from contracts with customers at December 31.

	<b>2025</b>		<b>2024</b>		<b>2023</b>
Receivables-current	\$ 7,413	\$	5,914	\$	9,881
Receivables-non-current	<b>363,537</b>		374,796		382,025

Receivables-current and receivables-non-current are comprised solely of securitization charges receivable, current and non-current, respectively, and are represented that way on the statements of financial position. Revenues are recognized when performance obligations are satisfied.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

#### 2. Summary of Significant Accounting Policies (continued)

##### Securitization Charges Receivable and Revenue Recognition (continued)

Interest receivable from money market funds investments on December 31, 2025 and 2024 on the statements of financial position is \$106 and \$133, respectively.

TEMSFM has no significant continuing obligation and collection is reasonably assured. The Company does not maintain credit losses accounts as it does not believe it has a material risk of loss associated with lack of collection.

##### Accrued Liabilities

Accrued liabilities are expenses that TEMSFM has incurred but hasn't yet been billed for. As of December 31, the accrued liabilities consist of the amounts shown in the table below:

	2025	2024
Debt interest payable	\$ 7,426	\$ 4,808
Accrued fees liabilities	100	128
Total	<u>\$ 7,526</u>	<u>\$ 4,936</u>

##### Security Deposits and Reserves

Security deposits and reserves consist of security deposits from ERCOT's market participants subject to Subchapter M, reserves for debt service and supplemental capital.

Market participants who have the obligation to pay default charges and do not meet certain creditworthiness standards referenced in ERCOT Nodal Protocols must maintain a means of security with the Company in order to mitigate market credit risk. Market participants have discretion in the means of security, such as letters of credit, or cash security deposits provided the market participants remain in compliance with ERCOT Nodal Protocols. TEMSFM is required to remit interest earned on security deposits to market participants. Although ERCOT is the servicer for the assessment and collection of default charges, TEMSFM is granted a secured interest in the security deposits to secure its obligation to pay the same.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2025 and 2024*

## 2. Summary of Significant Accounting Policies (continued)

### Security Deposits and Reserves (continued)

Cash security deposits are classified as restricted cash and cash equivalent, current; and debt reserves are classified as restricted cash equivalents, non-current, respectively, on the statements of financial position. See Note 2 Restricted Cash and Cash Equivalents. The balance of cash security deposits and reserves is \$19,502 and \$22,683 on December 31, 2025 and 2024, respectively.

### Income Taxes

TEMSFM is classified as a disregarded entity for tax purposes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the financial statements.

### Debt Issuance Costs

TEMSFM capitalizes issuance costs related to debt. The amounts are presented as a direct deduction from the debt liability and amortized over the life of the debt.

### Operating Income

The Company presents operating income (loss) as a measure of financial performance on the statement of activities. Operating income (loss) includes all revenues and expenses that are an integral part of the Company's programs and supporting activities and that are expected to recur on an annual basis.

Operating revenues include securitization charge fees earned in the course of the Company's ongoing activities.

Operating expenses include program services and supporting services expenses incurred in carrying out the Company's mission.

TEMSFM's definition of operating income (loss) is consistently applied from period to period and is intended to reflect the results of activities that are central to the Company's mission and ongoing operations.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

#### 3. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation.

#### 4. Liquidity and Availability

As a special purpose entity solely to provide for the financing of the default balance to be repaid by ERCOT market participants, TEMSFM's general expenditures include payment of bond principal and interest, administrative services fees paid to ERCOT, and debt service-related costs. Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

	2025	2024
Cash equivalents, and restricted cash equivalents, net of security deposits and reserves	\$ 15,618	\$ 15,038
Securitization charges receivable, current	7,413	5,914
Interest receivable, net	45	52
Total	<u>\$ 23,076</u>	<u>\$ 21,004</u>

The balance of interest receivable on the statements of financial position as of December 31, 2025 and 2024 also includes \$61 and \$81, respectively, interest receivable from security deposits investment that TEMSFM is required to remit to the market participants. This portion is not included in the financial assets available for general expenditures.

To ensure the timely payment of general expenditures, the Company bills and collects the default charges monthly from the ERCOT's market participants in an amount that is sufficient to recover the Company's general expenditures. In addition, security such as letters of credit and cash security deposits provided by the market participants can be drawn on if market participants cannot make their timely payment, following ERCOT Nodal Protocols (see Note 2 Security Deposits and Reserves).

Texas Electric Market Stabilization Funding M, LLC.

Notes to Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

**5. Fair Value Measurement**

The Company measures certain financial assets at fair value in accordance with ASC 820, *Fair Value Measurement*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets measured at fair value on a recurring basis consist of investments in money market mutual funds that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient. These investments are not classified within the fair value hierarchy.

Investments measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2025 and 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>December 31, 2025</b>				
Cash equivalents	\$ 4,068	None	Daily	None
Restricted cash equivalents, current	29,102	None	Daily	None
Restricted cash equivalents, non-current	1,918	None	Daily	None
Total assets at fair value	<u>\$ 35,088</u>			
 December 31, 2024				
Cash equivalents	\$ 4,083	None	Daily	None
Restricted cash equivalents, current	25,652	None	Daily	None
Restricted cash equivalents, non-current	6,971	None	Daily	None
Total assets at fair value	<u>\$ 36,706</u>			

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2025 and 2024*

#### **6. Debt Payable**

##### **M Bonds, Series 2021**

On November 12, 2021, the Company issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Order (see Note 1 Organization and Operations). The bonds were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts. The bonds proceeds are allocated to first pay upfront costs, then to pay amounts owed to ERCOT by competitive wholesale market participants, and finally to use the rest to replenish CRR auction funds temporarily used by ERCOT to reduce the short payments to wholesale market participants due to Winter Storm Uri. The bonds are payable out of default charges to all wholesale market participants except those expressly exempted by PURA. The bonds have target scheduled final maturities of approximately 28 years and legal final maturities not exceeding 30 years from the date of issuance. The interest rate is calculated by using the rate determined by the Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3, based on the credit rating of ERCOT, plus 2.5%. The interest rate is fixed at 2.97% for the first 3 years, after January 31, 2025, the interest rate is reset to 6.07% based on the aforementioned calculation. Payments of the bonds are semi-annual, beginning August 1, 2022. On December 31, 2024, the unamortized debt issuance costs were \$1,881.

##### **M Bonds, Series 2025**

On August 14, 2025, the Company issued \$379,100 M Bonds, Series 2025, to refinance the unpaid balance of \$379,817 due on M Bonds, Series 2021. The bonds have target scheduled final maturities of approximately 24 years and legal final maturities not exceeding 26 years from the date of issuance. The interest rate is 5.147%. On December 31, 2025 and 2024, the unamortized debt issuance costs were \$4,148 and \$2,535, respectively. On December 31, 2025, the unamortized bond discounts were \$28.

The Company recognized \$1,833 in expense when paying off M Bonds, Series 2021, from the balance of unamortized debt issuance costs. The expense is recorded in interest expense and amortization of debt issuance cost on the statements of activities.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

#### 6. Debt Payable (continued)

Under PURA § 39.603(i), the Texas Market Stabilization M Bonds, Series 2021 and Series 2025 refinancing of previously issued Series 2021 authorized to be issued under The Order are a nonrecourse debt secured solely by the default charges created by The Order and explicitly assessed to repay the Texas Market Stabilization M Bonds, Series 2021 and Series 2025 (including the default property as well as earnings from the investment and reinvestment of default charges). The Texas Market Stabilization M Bonds, Series 2021 and Series 2025 authorized to be issued under The Order and PURA § 39.603 do not create a personal liability for ERCOT.

Future maturities of the debt payable are as follows:

	<b>Texas Market Stabilization M Bonds, Series 2025</b>
Year Ending December 31:	
2026	7,785
2027	8,502
2028	8,963
2029	9,449
2030	9,961
Thereafter through 2049	334,440
	<b>\$ 379,100</b>

#### 7. Expenses by Nature and Function

As a special purpose entity established solely to provide for the financing of the default balance to be repaid by ERCOT market participants, TEMSFM's expenses are all contributed to program services. Expenses are presented by nature on the statements of activities.

## Texas Electric Market Stabilization Funding M, LLC.

### Notes to Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2025 and 2024

#### 8. Related Party Transactions

TEMSFM is a Delaware limited liability company with ERCOT as its sole member. ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021 and Series 2025. As a result, TEMSFM pays ERCOT for the beforementioned administrative services. At times, ERCOT pays bills and receives payments on behalf of TEMSFM. As of December 31, the intercompany transactions and balances are listed as below:

	<u>2025</u>		<u>2024</u>
Debt service and administration expenses recognized throughout the year	\$ 406	\$	500
Payable to ERCOT for debt service and administration expenses	\$ 114	\$	208
Payable to ERCOT for expenses paid by ERCOT on behalf of TEMSFM	\$ 25	\$	648
Payable to ERCOT for interest income earned on capital contribution	\$ 81	\$	98

#### 9. Contingencies

Management is not aware of any pending or threatened litigation, claims or assessments as of December 31, 2025.

#### 10. Subsequent Events

TEMSFM has evaluated material subsequent events through April 22, 2026, the date the Company's financial statements were available to be issued. TEMSFM is not aware of any material subsequent events.