

Memorandum

To: ISDA Americas Determinations Committee (the “DC”)

Date: 8/27/2010

Re: Energy Future Holdings Corp.

1. Question Presented:

Has a Succession Event occurred with respect to Energy Future Holdings Corp. (the “Question Presented”)?

2. Background:

Entities

- I. Energy Future Holdings Corp. (“EFH Corp.”), the “Reference Entity”.
- II. Energy Future Intermediate Holding Company LLC (“EFIH”), a direct, wholly owned subsidiary of EFH Corp.
- III. EFIH Finance Inc. (“EFIH Finance”), a direct, wholly owned subsidiary of EFIH.
- IV. Oncor Electric Delivery Holdings Company LLC (“Oncor Holdings”), a direct, wholly-owned subsidiary of EFIH.
- V. Oncor Electric Delivery Company LLC (“Oncor”), a direct, majority-owned subsidiary of Oncor Holdings.

See Figure 2. on Exhibit A (attached) for more detailed entity information.

July 2010.

On July 16, 2010, EFH Corp. announced that its direct, wholly-owned subsidiary, EFIH, and EFIH’s direct, wholly-owned subsidiary, EFIH Finance, would commence exchange offers (the “Exchange Offers”) to exchange the outstanding 11.250%/12.000% Senior Toggle Notes due 2017 and 10.875% Senior Notes due 2017 of EFH Corp. (collectively, the “Old Notes”) for up to \$2.18 billion aggregate principal amount of 10.000% Senior Secured Notes due 2020 to be issued by the EFIH and EFIH Finance (the “New Senior Secured Notes”) and an aggregate of \$500 million in cash, upon the terms and subject to the conditions set forth in the prospectus relating to the Exchange Offers (the “Prospectus”) and the related Consent and Letter of Transmittal. The maximum aggregate principal amount of New Senior Secured Notes issuable in the Exchange Offers, which is referred to herein as the “Maximum Exchange Amount,” will not exceed \$2.18 billion. *Source: <http://www.energyfutureholdings.com/news/newsrel/detail.aspx?prid=1344>*

The purpose of the Exchange Offers is to reduce the outstanding principal amount, reduce interest expense and extend the weighted average maturity, of the long-term debt of EFH Corp. and its subsidiaries. *Source: <http://www.energyfutureholdings.com/news/newsrel/detail.aspx?prid=1344>*

August 2010.

On August 13, 2010, EFH Corp. announced the expiration and final results of the exchanges offers.
Source: <http://www.energyfutureholdings.com/news/newsrel/detail.aspx?prid=1355>

On August 16, 2010, EFH Corp., EFIH and EFIH Finance filed a final prospectus related to the exchange offers. Source:
<http://sec.gov/Archives/edgar/data/1445146/000119312510190042/d424b3.htm>

3. Results of the Exchange Offers:

The Bonds exchanged represent greater than 25% but less than 75% of EFH Corp.'s relevant obligations. The table below (Figure 1) from the August 16, 2010 prospectus sets forth EFH Corp.'s cash and cash equivalents and capitalization as of June 30, 2010 including pro forma as adjusted for the exchange.

Figure 1. Energy Future Holdings Corp. Capitalization Table

	Actual	As Adjusted	As Further Adjusted (a)
	(millions of dollars)		
Cash and cash equivalents	1,211	1,204	721
EFH Corp.:			
5.55% due 2014	983	434	434
6.5% due 2024	740	740	740
6.55% due 2034	744	744	744
10.875% due 2017	1,812	1,787	359
11.25%/12% due 2017	2,758	2,705	539
9.75% due 2019	115	115	115
10.0% due 2020	606	1,061	1,061
Capital lease obligations	7	7	7
Unamortized fair value discount	-569	-493	-493
Total EFH Corp. debt	7,196	7,100	3,506
EFIH:			
9.75% due 2019	141	141	141
10.0% due 2020	-	-	2,180
Unamortized fair value discount	-	-	-
Total EFIH debt	141	141	2,321

Note: "Actual": on an actual basis; "As Adjusted": on an as adjusted basis to give effect to repurchases and exchanges of EFH Corp.'s and its subsidiaries' notes since June 30, 2010 described in the Prospectus under "Summary—Recent Developments" and under "Debt Related Activity in 2010 – 2010 Debt Exchanges and Repurchases" in Note 6 to EFH Corp.'s unaudited historical interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2010 included elsewhere in the Prospectus; and "As Adjusted Further": on an adjusted basis to give effect to the completion of the exchange offers. Source: <http://sec.gov/Archives/edgar/data/1445146/000119312510190042/d424b3.htm> (see page 80).

4. Analysis:

Definition of Succession Event:

Under the 2003 Definitions, an entity must succeed to a specified minimum percentage of Relevant Obligations of the Reference Entity by way of a Succession Event. "Succession Event" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which an entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

Application of Definition to EFH Corp.:

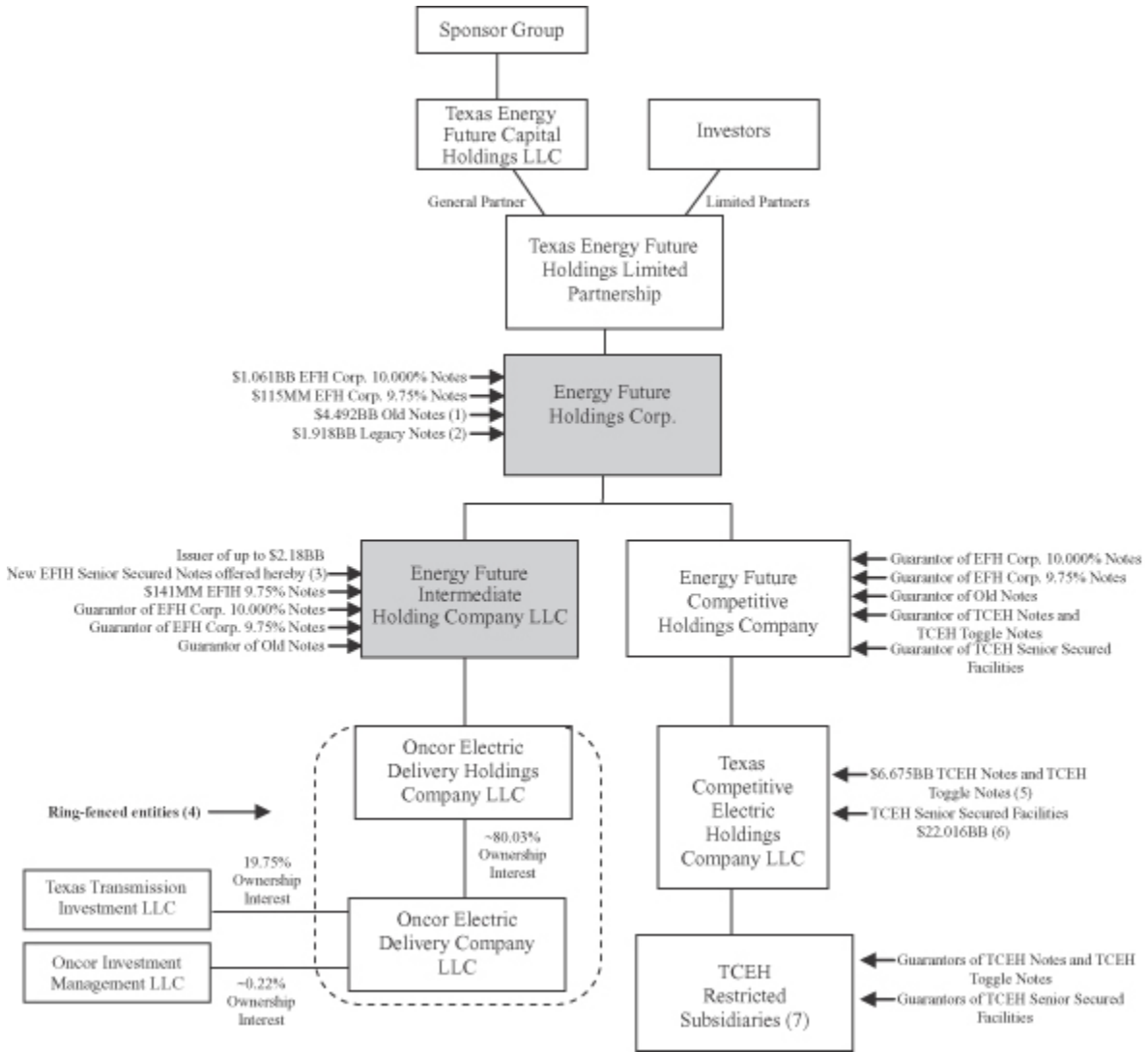
We ask the DC to consider and evaluate the following factors with respect to the Question Presented: *(We note that some of below the below factors involve calculations based on our own internal review and should be verified by the DC.)*

- We calculate EFH Corp.'s Relevant Obligations as approximately \$7,586 million prior to the exchange. In aggregate \$3,593.7 million relevant obligations were exchanged, representing approximately 47.4% of EFH Corp.'s Relevant Obligations. (Excluding the cash portion of the exchange, we estimate approximately \$2,913 million EFH Corp. bonds were exchanged, representing approximately 38.4% of EFH Corp.'s Relevant Obligations.) We note that the new 10% Senior Secured Notes are issued by Energy Future Intermediate Holding Company and EFIH Finance Inc. and will not be guaranteed by EFH Corp.
- Based on the information provided in the August 16, 2010 prospectus, EFH Corp. transferred \$440 million of cash to EFIH in connection with or just prior to the exchange. Also, EFH Corp. considers the bond exchange a "recapitalization" *(See page 216 of the prospectus which states; "EFH Corp. intends to take the position that the exchange of Old Notes for New EFIH Senior Secured Notes will qualify as a recapitalization.")*
- In our view, the exchange and resulting recapitalization/reorganization should be considered a significant corporate event that should be included under "a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spinoff or other similar event." Additionally, the bond exchange was not an isolated event, rather it represented a broader recapitalization and reflected EFH Corp.'s decision to transfer the financing operations related to its interest in Oncor Holdings to EFIH (from EFH Corp.). In our view, the transfer of the financing operations is analogous to a demerger or spin-off.
- We think that the recapitalization is a meaningful structural change affecting the Reference Entity which fundamentally alters the credit risk represented by the credit default swap. The bonds exchanged represent a significant portion, in both overall amount (\$3,593.7 million) and as a percentage (approximately 47.4%), of EFH Corp.'s relevant obligations prior to the exchange.
- EFH Corp. contributed \$440 million to EFIH in connection with the exchange/recapitalization. This should fall under the definition of a "transfer of assets" which is taking place as part of a larger corporate reorganization/recapitalization.

- Finally, the collateral securing the new 10% Secured notes will consist of a pledge of all of the membership interests EFIH owns in Oncor Holdings. Oncor Holdings owns approximately 80% of Oncor Electric Delivery's outstanding membership interests. The granting of security to bondholders could represent a transfer or a spin-off of assets to bondholders. Pro forma, for the new \$2.18 billion 10% Secured notes, there is approximately \$3.5 billion of debt secured by the membership interests, representing approximately 64% of the book value of the investment (as of June 30, 2010 EFH Corp./EFIH's investment in Oncor Holdings was on its balance sheet for \$5.45 billion), up from approximately 24% prior to the Exchange Offers. We view the granting of security as a significant event because the Old Notes were unsecured.

EXHIBIT A

Figure 2. Energy Future Holdings Corp. Organizational Structure



Source: <http://sec.gov/Archives/edgar/data/1445146/000119312510190042/d424b3.htm>