



**InfraREIT Agrees to
Acquisition by Oncor**

October 18, 2018

Safe Harbor



Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws about the business, financial performance, contracts, leases and prospects of InfraREIT, Inc. (InfraREIT or the Company). These statements give the current expectations of the Company's management. Words such as "could," "will," "may," "assume," "forecast," "strategy," "guidance," "outlook," "target," "expect," "intend," "plan," "estimate," "anticipate," "believe," or "project" and similar expressions are used to identify forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this presentation include the Company's expectations regarding the consummation of the transactions described in this presentation (referred to herein as the Transactions).

Forward-looking statements can be affected by assumptions used or known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed and actual results may differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward-looking statements include, among other things, (a) the risk and uncertainties disclosed in the Company's Annual Report on Form 10-K and the Company's quarterly reports on Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) from time to time and (b) the following risks inherent in the Transactions (in addition to others described elsewhere in this document and in the subsequent filings with the SEC: (A) failure to obtain the approval of the Company's stockholders; (B) failure to obtain regulatory approval necessary to consummate the Transactions or to obtain regulatory approvals on favorable terms and (C) delays in consummating the Transactions or the failure to consummate the Transactions.

Because the Company's forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different and any or all of the Company's forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions the Company might make or by known or unknown risk and uncertainties. Many factors mentioned in this presentation and in the Company's annual and quarterly reports will be important in determining future results. Consequently, the Company cannot assure you that the Company's expectations or forecasts expressed in such forward-looking statements will be achieved.

Any forward-looking statement made by the Company in this presentation is based only on information currently available to the Company and speaks only as of the date on which it is made. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Important Information for Investors

This presentation relates to a proposed business combination between InfraREIT and Oncor. The proposed merger and the related agreement and plan of merger will be submitted to the Company's stockholders for their consideration and approval. In connection with the proposed transaction, the Company will file a proxy statement with the SEC. This presentation does not constitute a solicitation of any vote or proxy from any stockholder of the Company. Investors are urged to read the proxy statement carefully and in its entirety when it becomes available, as well as any other relevant documents or materials filed or to be filed with the SEC or incorporated by reference in the proxy statement, because they will contain important information about the proposed acquisition. The definitive proxy statement will be mailed to the Company's stockholders. In addition, the proxy statement and other documents will be available free of charge at the SEC's website, www.sec.gov. When available, the proxy statement and other pertinent documents may also be obtained free of charge at the Investor Relations section of InfraREIT's website, www.InfraREITInc.com, or by directing a written request to InfraREIT, Inc., Attention: Corporate Secretary, 1900 North Akard Street, Dallas, Texas 75201.

Participation in the Solicitation

The Company and its directors and executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information regarding the Company's directors and executive officers is available in its definitive proxy statement for its 2018 Annual Meeting of Stockholders filed with the SEC on March 22, 2018. Other information regarding the participants in the proxy solicitation and a description of their direct or indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC when they become available.

Transaction Overview

Sale and Asset Exchange



- InfraREIT signed a definitive agreement to be acquired by Oncor Electric Delivery Company (Oncor):
 - \$21.00 per share in cash, valued at \$1.275 billion
 - Oncor will also assume InfraREIT's net debt, which was approximately \$940 million as of June 30, 2018
- The \$21.00 share price represents an 18 percent premium to InfraREIT's unaffected share price of \$17.79 on January 12, 2018, the last trading day before Hunt announced that it was pursuing alternative arrangements between itself and InfraREIT
- In conjunction with the sale, InfraREIT's regulated subsidiary (SDTS) signed a definitive agreement with its tenant, Sharyland, to exchange assets prior to Oncor's acquisition of InfraREIT, resulting in Sharyland owning all of InfraREIT's assets in South Texas, and InfraREIT owning Sharyland's assets in the Texas Panhandle and West Texas
- InfraREIT expects to continue paying regular quarterly dividends of \$0.25 per share through the closing of the transaction
- 30-day customary "go-shop" provision
- SDTS, Sharyland and Oncor are required to file a Sale-Transfer-Merger application (STM) with the Public Utility Commission of Texas (PUCT) no later than November 30, 2018
- After receiving all required approvals, the transactions are expected to close by mid-2019

Transaction Process and Benefits

Sale and Asset Exchange



- After receipt of a proposal from Oncor and in tandem with reviewing various De-REIT alternatives, InfraREIT's Board of Directors and Conflicts Committee conducted a thorough process to review Oncor's proposal
- The Conflicts Committee engaged independent financial and legal advisors to assist in reviewing De-REIT alternatives and Oncor's proposal; negotiations with Oncor, Hunt and Sharyland occurred over a period of time
- After reviewing alternatives and InfraREIT's prospects on a stand-alone basis, the Conflicts Committee and the Board of Directors determined that the transactions are in the best interest of stockholders
- Oncor's proposal provides InfraREIT's stockholders with:
 - Attractive valuation compared to the Company's stand-alone alternatives
 - All-cash transaction
 - Quarterly dividends of \$0.25 expected to be paid through closing, including a pro-rated dividend for any partial quarter prior to the closing
 - 18 percent premium to InfraREIT's unaffected share price of \$17.79 on January 12, 2018, the last trading day prior to Hunt's announcement that it was pursuing alternative arrangements between itself and the Company
 - Alignment with a strong counterparty: Oncor is a highly-regarded utility in Texas and operates the largest distribution and transmission system in the state

Transaction Details

Definitive Agreements



- **Asset Exchange and Agreements with Hunt:**
 - SDTS to exchange its South Texas assets with Sharyland; in return, SDTS to receive Sharyland's Golden Spread Project located in the Texas Panhandle, Sharyland's Lubbock Power & Light interconnection (LP&L Project) and certain other development projects and related assets. The difference in the net book value of the exchanged assets will be paid in cash at closing
 - Sharyland and SDTS have agreed to terminate their existing leases regarding InfraREIT's assets upon closing of the asset exchange
 - \$40.5 million termination fee paid to Hunt for the termination of the management agreement, the development agreement with Hunt, the leases as well as all other affiliate contracts. The amount is consistent with the termination fee that is contractually required under the management agreement
- **Oncor Merger:**
 - Following the Asset Exchange, Oncor will acquire InfraREIT and all of its assets and assume all liabilities of InfraREIT
 - Upon closing of the transaction, Oncor will own and operate all of SDTS's post-asset exchange assets
- **The Asset Exchange and Oncor Merger are mutually dependent on one another and neither will become effective without the other**
- **Agreements among Hunt, Oncor and Sempra Energy:**
 - Sempra Energy, which owns an indirect 80.25 percent interest in Oncor, has agreed to purchase a 50 percent ownership interest in Sharyland Holdings, which will own a 100 percent membership interest in Sharyland
 - Sharyland will continue as an independent utility and receive O&M services from Oncor

Catalysts for Pursuit of De-REIT Alternatives and Analysis of Future Prospects as a Stand-Alone Company



- InfraREIT benefits from a strong asset franchise in the growing ERCOT market that is well-positioned to take advantage of the ongoing expansion of renewables in the western areas of the state and high growth in West Texas
- However, the REIT structure, the Tax Cuts and Jobs Act, and potential outcomes in the 2020 rate case negatively impact the Company's financial outlook as a stand-alone, independent company
 - As part of any De-REIT alternative, the Company would begin to record book federal corporate income taxes on its income statement at a 21 percent income tax rate
 - Repricing InfraREIT's leases to implement the 21 percent federal corporate income tax allowance, while holding all other inputs constant, would reduce net income attributable to InfraREIT, Inc. common stockholders per share (EPS) by approximately \$0.30 (pre-tax) per year
 - During the 2020 rate case, the Company's allowed cost of debt would be adjusted relative to the 6.73 percent cost of debt currently recovered through rates

The Company's review of De-REIT alternatives, including the announced transactions, considered multiple factors, including those listed above. Actual impacts from these factors would depend upon timing, method of implementation and other considerations

Estimated Financial Outlook for A Potential Alternative as a Stand-Alone Company



- The Company's analysis of Oncor's proposal included consideration of potential alternatives, including a stand-alone plan that involves InfraREIT completing an asset exchange with Sharyland (similar to what is included in today's announcement) and InfraREIT remaining an independent, stand-alone company. The potential stand-alone plan produces the following estimated EPS profile:

	2020E	2021E	2022E
EPS	\$1.08 - \$1.16	\$0.80 - \$0.88	\$1.00 - \$1.08

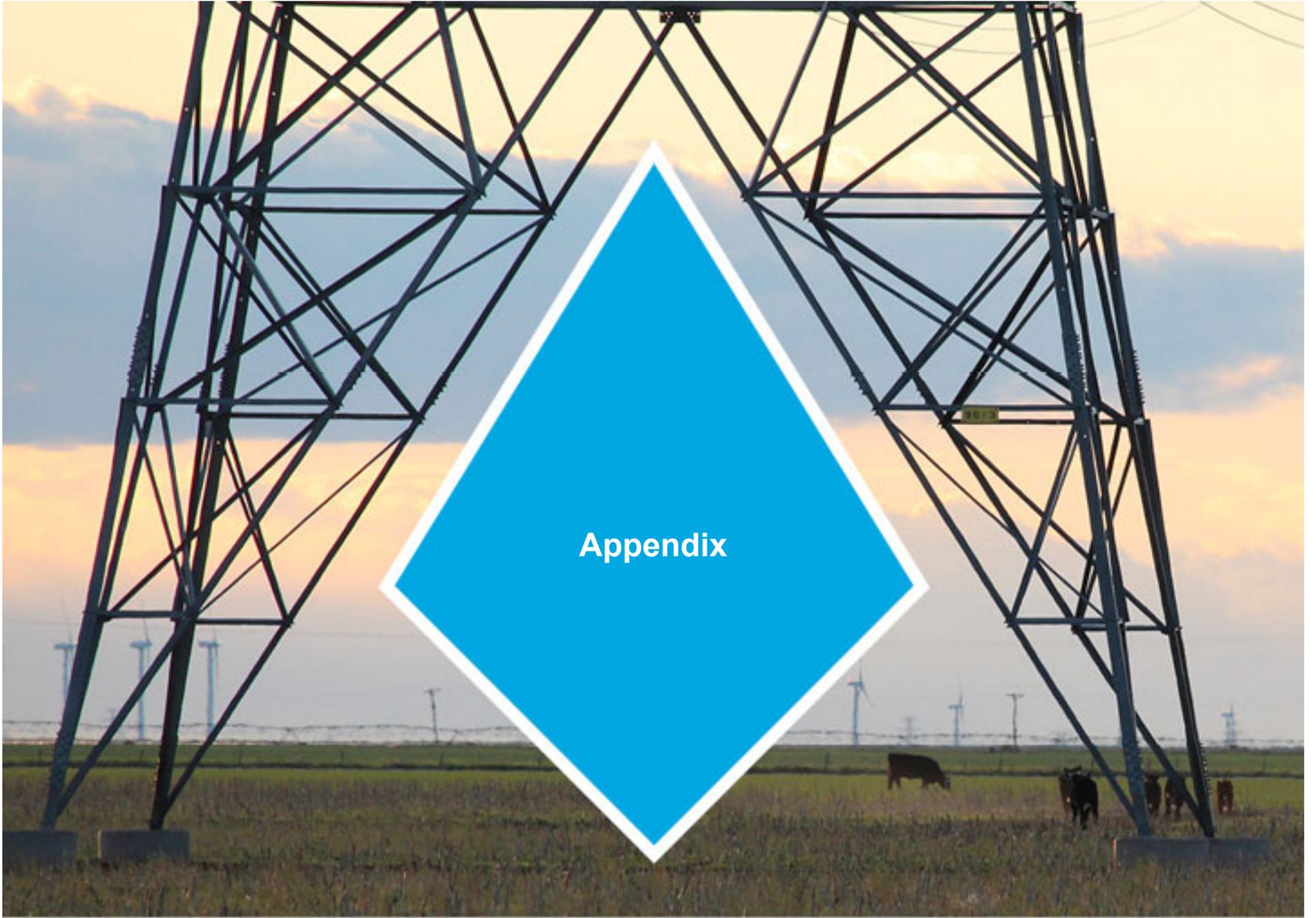
Rate Case Effective *LP&L Project Completed*

2022E EPS provides a full-year run-rate view of this potential stand-alone alternative following the implementation of the potential outcomes of the 2020 rate case and the completion of the LP&L Project in 2021

Approvals and Timeline to Completion



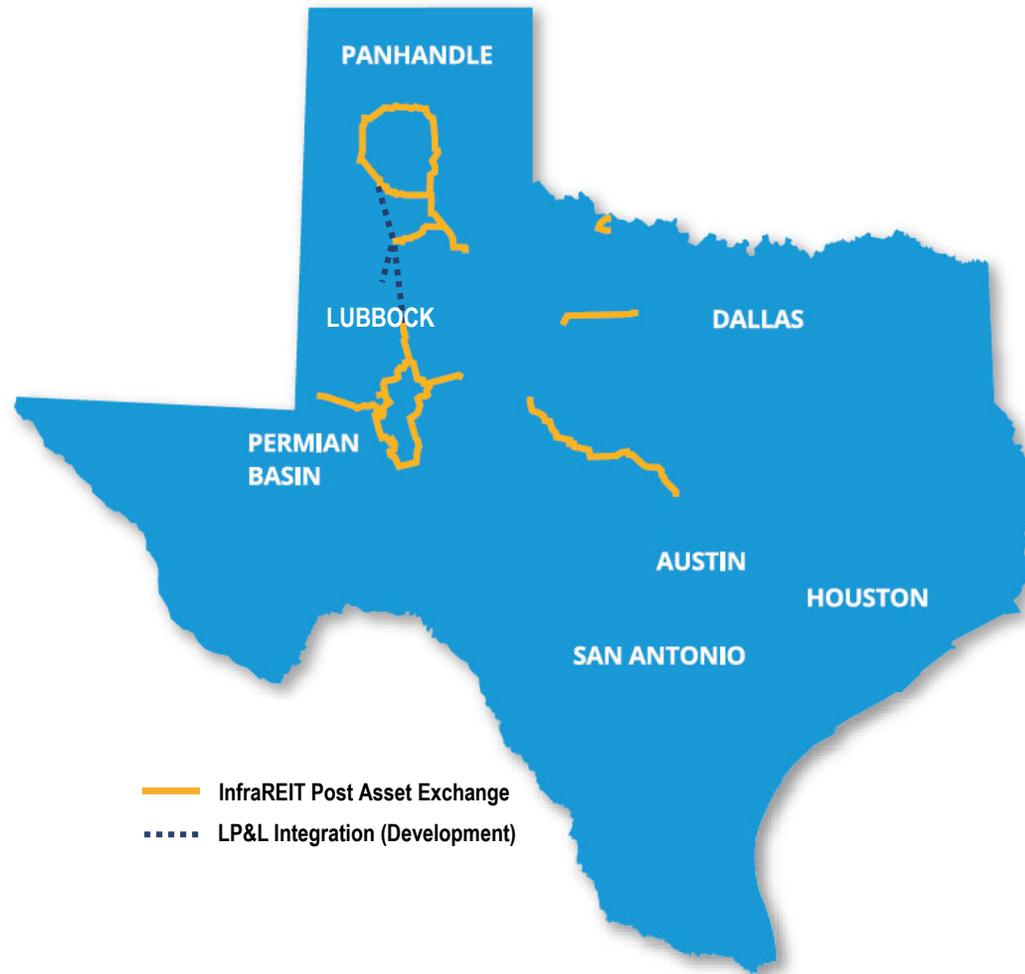
- The closing of the transactions will be subject to a number of closing conditions, including:
 - PUCT approval of transactions, including:
 - The exchange of assets between SDTS and Sharyland;
 - The acquisition of InfraREIT by Oncor; and
 - Sempra Energy's indirect 50 percent investment in Sharyland
 - Other necessary regulatory approvals, including Federal Energy Regulatory Commission (FERC) approval, Hart-Scott-Rodino clearance and the Committee on Foreign Investment in the United States (CFIUS) clearance;
 - Stockholder approval;
 - Certain lender consents; and
 - Closing of Sempra's indirect 50 percent investment in Sharyland and other customary closing conditions
- After the receipt of all required approvals, the transaction is expected to close by mid-2019



Appendix

InfraREIT's Transmission Assets

(After the Asset Exchange With Sharyland)



Potential Stand-Alone Plan Assumptions



- The Company's analysis of Oncor's proposal included consideration of potential alternatives, including a stand-alone plan that involves InfraREIT completing an asset exchange with Sharyland (similar to what is included in today's announcement) and InfraREIT remaining an independent company. Key assumptions for the financial forecast relating to this stand-alone plan include:
 - ❑ Like-kind asset exchange between InfraREIT and Sharyland. InfraREIT receives the Golden Spread Project, Sharyland receives InfraREIT's assets in South Texas. The difference in net book value of the exchanged assets will be paid in cash at closing
 - ❑ InfraREIT conversion to a C-corporation, following which the Company would begin to record book federal corporate income taxes on its income statement at a 21 percent income tax rate
 - ❑ InfraREIT makes a \$40 million payment to Hunt to terminate the management agreement, the development agreement, the leases with Sharyland, and all other agreements between InfraREIT and either Hunt or Sharyland
 - ❑ Following the lease terminations, InfraREIT's go-forward revenues reflect a 21 percent corporate income tax allowance (relative to a 35 percent corporate income tax allowance in current lease revenue)
 - ❑ Implementation of 2020 rate case (2019 test year) outcome starting on January 1, 2021; rate case outcomes include an update to the currently allowed cost of debt of 6.73 percent, among other changes
 - ❑ Two TCOS filings during 2019, one during 2020 and two during 2021
 - ❑ Capital expenditures equal to InfraREIT's footprint capex, \$195 million for the LP&L Project in 2020 and 2021 and \$20 million per year of generation interconnections for 2020-2022. LP&L Project assumed to be placed in service during Q3 2021. No future development agreement with Hunt
 - ❑ Maintain targeted consolidated debt to capitalization ratio of 60%
 - ❑ Execute approximately \$100 million share repurchase program beginning in 2019
 - ❑ All transactions occur as of January 1, 2019

Debt Obligations and Liquidity

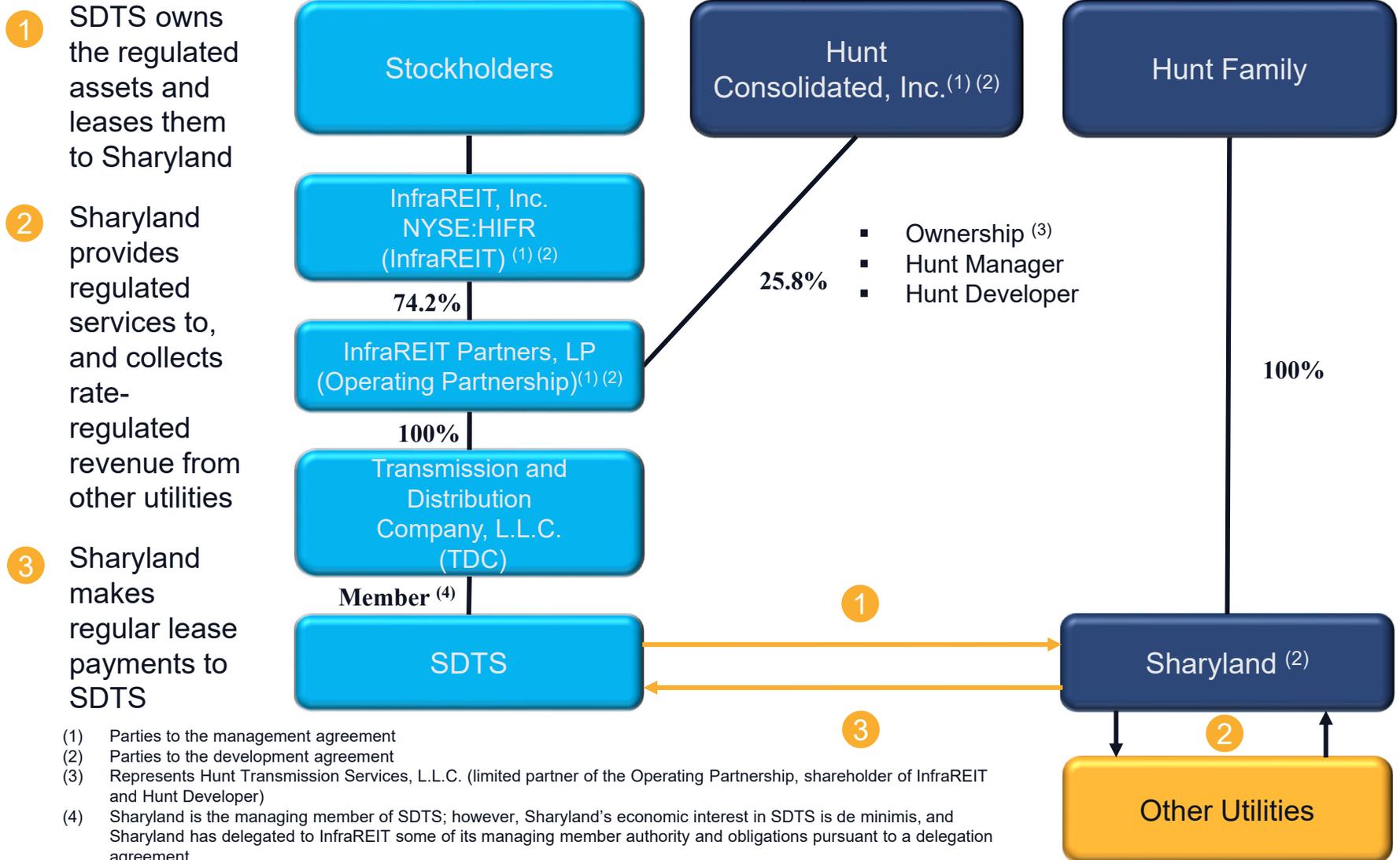
\$ millions



Long-Term Debt (rate / maturity)	Outstanding As of June 30, 2018
TDC – Senior Secured Notes (8.50% / December 30, 2020)	\$ 15.6
SDTS – Senior Secured Term Loan (3.34% / June 5, 2020)	200.0
SDTS – Senior Secured Notes, Series A (3.86% / December 3, 2025)	400.0
SDTS – Senior Secured Notes, Series B (3.86% / January 14, 2026)	100.0
SDTS – Senior Secured Notes (7.25% / December 30, 2029)	39.5
SDTS – Senior Secured Notes (6.47% / September 30, 2030)	90.4
Total	\$ 845.5

Liquidity Facilities	Amount	Outstanding As of June 30, 2018	Available
InfraREIT Partners Revolver	\$ 75.0	\$ —	\$ 75.0
SDTS Revolver	250.0	99.5	150.5
Total	\$ 325.0	\$ 99.5	\$ 225.5
Cash (as of June 30, 2018)			2.1
Total Available Liquidity			\$ 227.6

Current InfraREIT Structure



(1) Parties to the management agreement
 (2) Parties to the development agreement
 (3) Represents Hunt Transmission Services, L.L.C. (limited partner of the Operating Partnership, shareholder of InfraREIT and Hunt Developer)
 (4) Sharyland is the managing member of SDTS; however, Sharyland's economic interest in SDTS is de minimis, and Sharyland has delegated to InfraREIT some of its managing member authority and obligations pursuant to a delegation agreement
 (5) Percentages as of June 30, 2018