UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date earliest event reported) September 11, 2019

Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.		Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
333-232430	AEP TEXAS INC. (a Delaware corporation) 1 Riverside Plaza Columbus, Ohio 43215 (614) 716-1000 51-0007707		333-179092-01	AEP TEXAS RESTORATION FUNDING LLC (a Delaware limited liability company) 539 North Carancahua St, Suite 1700 Corpus Christi, Texas 78401 (361) 881-5399 83-4426234

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

[ ] Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

[ ] If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events

On September 11, 2019, AEP Texas Inc. and AEP Texas Restoration Funding LLC (the "Issuing Entity") entered into an Underwriting Agreement (the "Underwriting Agreement") with Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. as representatives of the underwriters party thereto with respect to the purchase and sale of $235,282,000 of senior secured system restoration bonds, to be issued by the Issuing Entity pursuant to an Indenture and Series Supplement (together, the "Indenture"), each to be dated as of September 18, 2018. The senior secured system restoration bonds were offered pursuant to the Prospectus dated September 11, 2019. In connection with the issuance of the senior secured system restoration bonds, AEP Texas Inc. and the Issuing Entity will also enter into the agreements listed below in Item 9.01, which together with the Underwriting Agreement and the are annexed hereto as exhibits to this Current Report on 8-K.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
1.1	Underwriting Agreement among AEP Texas Restoration Funding LLC, AEP Texas Inc., Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. as representatives for the Underwriters party thereto, dated September 11, 2019
4.1	Indenture between AEP Texas Restoration Funding LLC and the Indenture Trustee (including forms of the Senior Secured System Restoration Bonds) dated as of September 18, 2019
10.1	Transition Property Servicing Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Servicer, dated as of September 18, 2019
10.2	Transition Property Purchase and Sale Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Seller, dated as of September 18, 2019
10.3	Administration Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Administrator, dated as of September 18, 2019
10.4	Amended and Restated Intercreditor Agreement between AEP Texas Restoration Funding LLC, AEP Texas Inc., AEP Texas Central Transition Funding II LLC, AEP Texas Central Transition Funding III LLC, U.S. Bank National Association, the Bank of New York Mellon and the Indenture Trustee, dated as of September 18, 2019
10.5	Series Supplement between AEP Texas Restoration Funding LLC and the Indenture Trustee, dated as of September 18, 2019

INDEX TO EXHIBITS

Exhibit No.	Description
1.1	Underwriting Agreement among AEP Texas Restoration Funding LLC, AEP Texas Inc., Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. as representatives for the Underwriters party thereto, dated September 11, 2019
4.1	Indenture between AEP Texas Restoration Funding LLC and the Indenture Trustee (including forms of the Senior Secured System Restoration Bonds) dated as of September 18, 2019
10.1	Transition Property Servicing Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Servicer, dated as of September 18, 2019
10.2	Transition Property Purchase and Sale Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Seller, dated as of September 18, 2019
10.3	Administration Agreement between AEP Texas Restoration Funding LLC and AEP Texas Inc., as Administrator, dated as of September 18, 2019
10.4	Amended and Restated Intercreditor Agreement between AEP Texas Restoration Funding LLC, AEP Texas Inc., AEP Texas Central Transition Funding II LLC, AEP Texas Central Transition Funding III LLC, U.S. Bank National Association, the Bank of New York Mellon and the Indenture Trustee, dated as of September 18, 2019
10.5	Series Supplement between AEP Texas Restoration Funding LLC and the Indenture Trustee, dated as of September 18, 2019

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AEP TEXAS INC.

/s/ Renee V. Hawkins

By: Renee V. Hawkins
Title: Assistant Treasurer

Date: September 13, 2019

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AEP TEXAS RESTORATION
FUNDING LLC

/s/ Renee V. Hawkins

By: Renee V. Hawkins
Title: Assistant Treasurer

Date: September 13, 2019

Exhibit 1.1

AEP TEXAS RESTORATION FUNDING LLC

AEP TEXAS INC.

$235,282,000 SENIOR SECURED SYSTEM RESTORATION BONDS

UNDERWRITING AGREEMENT

September 11, 2019

To the Representatives named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Ladies and Gentlemen:

Introduction. AEP Texas Restoration Funding LLC, a Delaware limited liability company (the "Issuer"), proposes to issue and sell $235,282,000 aggregate principal amount of its Senior Secured System Restoration Bonds, (the "Bonds"), identified in Schedule I hereto. The Issuer and AEP Texas Inc., a Delaware corporation and the Issuer's direct parent ("AEP Texas"), hereby confirm their agreement with the several Underwriters (as defined below) as set forth herein.

The term "Underwriters" as used herein shall be deemed to mean the entity or several entities named in Schedule II hereto and any underwriter substituted as provided in Section 7 hereof and the term "Underwriter" shall be deemed to mean any one of such Underwriters. If the entity or entities listed in Schedule I hereto as representatives (the "Representatives") are the same as the entity or entities listed in Schedule II hereto, then the terms "Underwriters" and "Representatives", as used herein, shall each be deemed to refer to such entity or entities. All obligations of the Underwriters hereunder are several and not joint. If more than one entity is named in Schedule I hereto, any action under or in respect of this underwriting agreement ("Underwriting Agreement") may be taken by such entities jointly as the Representatives or by one of the entities acting on behalf of the Representatives and such action will be binding upon all the Underwriters.

Description of the Bonds. The Bonds will be issued pursuant to an indenture to be dated as of September 18, 2019, as supplemented by one or more series supplements thereto (as so supplemented, the "Indenture"), between the Issuer and U.S. Bank National Association as indenture trustee (the "Indenture Trustee") and as securities intermediary (the "Securities Intermediary"). The Bonds will be senior secured obligations of the Issuer and will be supported by transition property (as more fully described in the Financing Order issued on June 17, 2019 (the "Financing Order") by the Public Utility Commission of Texas ("PUCT") relating to the Bonds, "Transition Property"), to be sold to the Issuer by AEP Texas pursuant to the Transition Property Purchase and Sale Agreement, to be dated on or about September 18, 2019, between AEP Texas and the Issuer (the "Sale Agreement"). The Transition Property securing the Bonds will be serviced pursuant to the Transition Property Servicing Agreement, to be dated on or about September 18, 2019, between AEP Texas, as servicer, and the Issuer, as owner of the Transition Property sold to it pursuant to the Sale Agreement (the "Servicing Agreement").

Representations and Warranties of the Issuer. The Issuer represents and warrants to the several Underwriters that:

The Issuer and the Bonds meet the requirements for the use of Form SF-1 under the Securities Act of 1933, as amended (the "Securities Act"). The Issuer, in its capacity as co-registrant and issuing entity with respect to the Bonds, and AEP Texas, in its capacity as co-registrant and as sponsor for the Issuer, have filed with the Securities and Exchange Commission (the "Commission") a registration statement on such form on June 28, 2019 (Registration Nos. 333-232430 and 333-232430-01), as amended by Amendment No. 1 thereto dated August 12, 2019, and Amendment No. 2 thereto dated August 27, 2019, including a prospectus, for the registration under the Securities Act of up to $237,000,000 aggregate principal amount of the Bonds. Such registration statement, as amended ("Registration Statement Nos. 333-232430 and 333-232430-01"), has been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Issuer, threatened by the Commission. References herein to the term "Registration Statement" shall be deemed to refer to Registration Statement Nos. 333-232430 and 333-232430-01, including any amendment thereto, and any information in a prospectus as amended or supplemented as of the Effective Date (as defined below), deemed or retroactively deemed to be a part thereof pursuant to Rule 430A under the Securities Act ("Rule 430A") that has not been superseded or modified. "Registration Statement" without reference to a time means the Registration Statement as of the Applicable Time (as defined below), which the parties agree is the time of the first contract of sale (as used in Rule 159) for the Bonds, and shall be considered the "Effective Date" of the Registration Statement relating to the Bonds. Information contained in a form of prospectus (as amended or supplemented as of the Effective Date) that is deemed retroactively to be a part of the Registration Statement pursuant to Rule 430A shall be considered to be included in the Registration Statement as of the time specified in Rule 430A. The final prospectus relating to the Bonds, as filed with the Commission pursuant to Rule 424(b) under the Securities Act, is referred to herein as the "Final Prospectus"; and the most recent preliminary prospectus that omitted information to be included upon pricing in a form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act and that was used after the initial effectiveness of the Registration Statement and prior to the Applicable Time (as defined below) is referred to herein as the "Pricing Prospectus". The Pricing Prospectus and the Issuer Free Writing Prospectuses identified in Section B of Schedule III hereby considered together, are referred to herein as the "Pricing Package".

At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), respectively, and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at each of the aforementioned dates, did not and will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the Final Prospectus, both as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the foregoing representations and warranties in this paragraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information as defined in Section 11(b) below or to any statements in or omissions from any Statements of Eligibility on Form T-1 (or amendments thereto) of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company's ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

As of the Applicable Time (as defined below) and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (as defined below) (other than the Pricing Term Sheet, as defined in Section 5(b) below), did not include any untrue statement of a material fact nor when considered together, omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives and related sensitivity data, proceeds to the Issuer, underwriters' allocation for each tranche, selling concession, reallowance, discounts, issuance date, the expected amortization schedule and the expected sinking fund schedule described in the Pricing Prospectus were subject to completion or change based on market conditions and the interest rate, price to the public and underwriting discounts and commissions for each tranche as well as certain other information dependent on the foregoing and other pricing related information was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time, did not, and at all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. "Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433(h) under the Securities Act, relating to the Bonds, in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Issuer's records pursuant to Rule 433(g) under the Securities Act. References to the term "Free Writing Prospectus" shall mean a free writing prospectus, as defined in Rule 405 under the Securities Act. References to the term "Applicable Time" mean 3:30 PM, Eastern Time, on the date hereof, except that if, subsequent to such Applicable Time, the Issuer, AEP Texas and the Underwriters have determined that the information contained in the Pricing Prospectus or any Issuer Free Writing Prospectus issued prior to such Applicable Time included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and the Issuer, AEP Texas and the Underwriters have agreed to terminate the old purchase contracts and have entered into new purchase contracts with purchasers of the Bonds, then "Applicable Time" will refer to the first of such times when such new purchase contracts are entered into. The Issuer represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433 under the Securities Act, including timely Commission filing where required, legending and record keeping.

Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer or AEP Texas notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development the result of which is that such Issuer Free Writing Prospectus conflicts or would conflict with the information then contained in the Registration Statement or includes or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) AEP Texas or the Issuer has promptly notified or will promptly notify the Representatives and (ii) AEP Texas or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

The Issuer has been duly formed and is validly existing as a limited liability company in good standing under the Delaware Limited Liability Company Act, as amended, with full limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement, the Bonds, the Sale Agreement, the Servicing Agreement, the Indenture, the amended and restated limited liability company agreement of the Issuer dated as of June 12, 2019 (the "LLC Agreement"), the second amended and restated intercreditor agreement among the Issuer, AEP Texas, AEP Texas Central Transition Funding II LLC, AEP Texas Central Transition Funding III LLC, the Indenture Trustee, U.S. Bank National Association and The Bank of New York Mellon to be dated the Closing Date (the "Intercreditor Agreement"), the administration agreement to be dated the Closing Date between the Issuer and AEP Texas (the "Administration Agreement") and the other agreements and instruments contemplated by the Pricing Prospectus (collectively, the "Issuer Documents") and to own its properties and conduct its business as described in the Pricing Prospectus; the Issuer has been duly qualified as a foreign limited liability company for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where failure to so qualify or to be in good standing would not have a material adverse effect on the business, properties or financial condition of the Issuer; the Issuer has conducted and will conduct no business in the future that would be inconsistent with the description of the Issuer's business set forth in the Pricing Prospectus; the Issuer is not a party to or bound by any agreement or instrument other than the Issuer Documents and other agreements or instruments incidental to its formation and the Rating Agency Letters (as defined below); the Issuer has no material liabilities or obligations other than those arising out of the transactions contemplated by the Issuer Documents and as described in the Pricing Prospectus; AEP Texas is the beneficial owner of all of the limited liability company interests of the Issuer; and based on current law, the Issuer is not classified as an association taxable as a corporation for United States federal income tax purposes.

The issuance and sale of the Bonds by the Issuer, the purchase of the Transition Property by the Issuer from AEP Texas and the consummation of the transactions herein contemplated by the Issuer, and the fulfillment of the terms hereof on the part of the Issuer to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under the Issuer's certificate of formation or limited liability company agreement (collectively, the "Issuer Charter Documents"), or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is now a party.

This Underwriting Agreement has been duly authorized, executed and delivered by the Issuer, which has the necessary limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

The Issuer (i) is not in violation of the Issuer Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition, and (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition.

The Indenture has been duly authorized by the Issuer, and, on the Closing Date, will have been duly executed and delivered by the Issuer and will be a valid and binding instrument, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy. On the Closing Date, the Indenture will (i) comply as to form in all material respects with the requirements of the Trust Indenture Act and (ii) conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus.

The Bonds have been duly authorized by the Issuer for issuance and sale to the Underwriters pursuant to this Underwriting Agreement and, when executed by the Issuer and authenticated by the Indenture Trustee in accordance with the Indenture and delivered to the Underwriters against payment therefor in accordance with the terms of this Underwriting Agreement, will constitute valid and binding obligations of the Issuer entitled to the benefits of the Indenture and enforceable against the Issuer in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy, and the Bonds conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus. The Issuer has all requisite limited liability company power and authority to issue, sell and deliver the Bonds in accordance with and upon the terms and conditions set forth in this Underwriting Agreement and in the Pricing Prospectus and Final Prospectus.

There is no litigation or governmental proceeding to which the Issuer is a party or to which any property of the Issuer is subject or which is pending or, to the knowledge of the Issuer, threatened against the Issuer that could reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property or financial condition.

Other than the filing of the issuance advice letter and non-action on the part of the PUCT contemplated by Ordering Paragraph 6 of the Financing Order, no approval, authorization, consent or order of any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which the Issuer makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

The Issuer is not, and, after giving effect to the sale and issuance of the Bonds, will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

The Issuer will rely on an exclusion or exemption from the definition of "investment company" under the 1940 Act under Rule 3a-7 under the Investment Company Act, although there may be additional exclusions or exemptions available to the Issuer. The Issuer is not a "covered fund" for purposes of regulations adopted to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The nationally recognized accounting firm which has performed certain procedures with respect to certain statistical and structural information contained in the Pricing Prospectus and the Final Prospectus, are independent public accountants.

Each of the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement and LLC Agreement has been duly authorized by the Issuer, and when executed and delivered by the Issuer on or prior to the Closing Date and the other parties thereto, will constitute a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

The Issuer has complied with the written representations, acknowledgements and covenants (the "17g-5 Representations") relating to compliance with Rule 17g-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") set forth in the (i) undertaking letter, dated as of April 26, 2019, by AEP Texas to Moody's (as defined below) and (ii) undertaking letter, dated May 31, 2019, from AEP Texas to S&P (as defined below, and together with Moody's, the "Rating Agencies") and the Issuer (collectively, the "Rating Agency Letters"), other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

The Issuer will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Securities Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

The Bonds are not subject to the risk retention requirements imposed by Section 15G of the Exchange Act.

Representations and Warranties of AEP Texas. AEP Texas represents and warrants to the several Underwriters that:

AEP Texas, in its capacity as co-registrant and sponsor for the Issuer and with respect to the Bonds, meets the requirements to use Form SF-1 under the Securities Act and has filed with the Commission Registration Statement Nos. 333-232430 and 333-232430-01 for the registration under the Securities Act of up to $237,000,000 aggregate principal amount of the Bonds. Registration Statement Nos. 333-232430 and 333-232430-01 have been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of AEP Texas, threatened by the Commission.

At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable requirements of the Securities Act and the Trust Indenture Act, respectively, and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the each of the aforementioned dates, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Final Prospectus, both as of its date and at and at the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that the foregoing representations and warranties in this paragraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information or to any statements in or omissions from any Statement of Eligibility on Form T-1, or amendments thereto, of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company's ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

As of the Applicable Time and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (other than the Pricing Term Sheet), considered together, did not include any untrue statement of a material fact nor when considered together, omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives and related security data proceeds to the Issuer, underwriters' allocation for each tranche, selling concession, reallowance discounts, issuance date, the expected amortization schedule and the expected sinking fund schedule described in the Pricing Prospectus were subject to completion or change based on market conditions, and the interest rate, price to the public and underwriting discounts and commissions for each tranche as well as certain other information dependent on the foregoing and other pricing related information was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time, did not, and at all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date, will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. AEP Texas represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433 under the Securities Act, including timely Commission filing where required, legending and record keeping.

Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer or AEP Texas notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development the result of which is that such Issuer Free Writing Prospectus conflicts or would conflict with the information then contained in the Registration Statement or includes or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) AEP Texas or the Issuer has promptly notified or will promptly notify the Representatives and (ii) AEP Texas or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

AEP Texas has been duly formed and is validly existing as a corporation in good standing under the laws of the jurisdiction of its formation, has the corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as set forth in or contemplated by the Pricing Prospectus, and is qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the business, property or financial condition of AEP Texas and its subsidiaries considered as a whole, and has all requisite power and authority to sell Transition Property as described in the Pricing Prospectus and to otherwise perform its obligation under any Issuer Document to which it is a party. AEP Texas is the beneficial owner of all of the limited liability company interests of the Issuer.

Other than AEP Texas Central Transition Funding II LLC, AEP Texas Central Transition Funding III LLC and AEP Texas North Generation Company LLC, AEP Texas has no significant subsidiaries within the meaning of Rule 1-02(w) of Regulation S-X.

The transfer by AEP Texas of all of its rights and interests under the Financing Order relating to the Bonds to the Issuer and the consummation of the transactions herein contemplated by AEP Texas, and the fulfillment of the terms hereof on the part of AEP Texas to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under, AEP Texas's composite of amended and restated certificate of incorporation or bylaws (collectively, the "AEP Texas Charter Documents"), or in a material breach of any of the terms of, or constitute a material default under, any indenture, mortgage, deed of trust or other agreement or instrument to which AEP Texas is now a party.

This Underwriting Agreement has been duly authorized, executed and delivered by AEP Texas, which has the necessary corporate power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

AEP Texas (i) is not in violation of the AEP Texas Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of AEP Texas and its subsidiaries considered as a whole, or (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of AEP Texas and its subsidiaries considered as a whole.

Except as set forth or contemplated in the Pricing Prospectus, there is no litigation or governmental proceeding to which AEP Texas or any of its subsidiaries is a party or to which any property of AEP Texas or any of its subsidiaries is subject or which is pending or, to the knowledge of AEP Texas, threatened against AEP Texas or any of its subsidiaries that would reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property, or financial condition or on AEP Texas's ability to perform its obligations under the Sale Agreement and the Servicing Agreement.

Other than the filing of the issuance advice letter and non-action on the part of the PUCT contemplated by Ordering Paragraph 6 of the Financing Order, no approval, authorization, consent or order of any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which AEP Texas makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

AEP Texas is not and after giving effect to the sale and issuance of the Bonds, neither AEP Texas or the Issuer will be, an "investment company" within the meaning of the 1940 Act.

Relying on an exclusion or exemption from the definition of "investment company" under the 1940 Act under Rule 3a-7 under the Investment Company Act, although additional exclusions or exemptions may be available, the Issuer is not a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Each of the Sale Agreement and Servicing Agreement, the Intercreditor Agreement and Administration Agreement will have been prior to the Closing Date duly and validly authorized by AEP Texas, and when executed and delivered by AEP Texas and the other parties thereto will constitute a valid and legally binding obligation of AEP Texas, enforceable against AEP Texas in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

There are no Texas transfer taxes related to the transfer of the Transition Property or the issuance and sale of the Bonds to the Underwriters pursuant to this Underwriting Agreement required to be paid at or prior to the Closing Date by AEP Texas or the Issuer.

The nationally recognized accounting firm referenced in Section 3(o) and 9(x) is a firm of independent public accountants with respect to AEP Texas as required by the Securities Act and the rules and regulations of the Commission thereunder.

AEP Texas, in its capacity as sponsor with the respect to the Bonds, has caused the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

AEP Texas will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Securities Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

Neither AEP Texas nor any of its subsidiaries nor, to the knowledge of AEP Texas, any director, officer, agent or employee of AEP Texas is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and AEP Texas will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

The Bonds are not subject to the risk retention requirements imposed by Section 15G of the Exchange Act.

Investor Communications.

Issuer and AEP Texas represent and agree that, unless they obtain the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it obtains the prior consent of the Issuer and AEP Texas and the Representatives, it has not made and will not make any offer relating to the Bonds that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," required to be filed by the Issuer or AEP Texas, as applicable, with the Commission or retained by the Issuer or AEP Texas, as applicable, under Rule 433 under the Securities Act; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Pricing Term Sheet and each other Free Writing Prospectus identified in Schedule III hereto.

AEP Texas and the Issuer (or the Representatives at the direction of the Issuer) will prepare a final pricing term sheet relating to the Bonds (the "Pricing Term Sheet"), containing only information that describes the final pricing terms of the Bonds and otherwise in a form consented to by the Representatives, and will file the Pricing Term Sheet within the period required by Rule 433(d)(5)(ii) under the Securities Act following the date such final pricing terms have been established for all classes of the offering of the Bonds. The Pricing Term Sheet is an Issuer Free Writing Prospectus for purposes of this Underwriting Agreement.

Each Underwriter may provide to investors one or more of the Free Writing Prospectuses, including the Pricing Term Sheet, subject to the following conditions:

An Underwriter shall not convey or deliver any Written Communication (as defined herein) to any person or entity in connection with the initial offering of the Bonds, unless such Written Communication (A) constitutes a prospectus satisfying the requirements of Rule 430A under the Securities Act, or (B)(i) is made in reliance on Rule 134 under the Securities Act, is an Issuer Free Writing Prospectus listed on Schedule III hereto or is an Underwriter Free Writing Prospectus (as defined below) and (ii) such Written Communication is preceded or accompanied by a prospectus satisfying the requirements of Section 10(a) of the Securities Act. "Written Communication" has the same meaning as that term is defined in Rule 405 under the Securities Act.

An "Underwriter Free Writing Prospectus" means any free writing prospectus that contains only preliminary or final terms of the Bonds and is not required to be filed by AEP Texas or the Issuer pursuant to Rule 433 under the Securities Act and that contains information substantially the same as the information contained in the Pricing Prospectus or Pricing Term Sheet (including, without limitation, (i) the class, size, rating, price, CUSIPs, coupon, yield, spread, benchmark, status and/or legal maturity date of the Bonds, the weighted average life, expected first and final scheduled payment dates, trade date, settlement date, transaction parties, credit enhancement, logistical details related to the location and timing of access to the roadshow, ERISA eligibility, legal investment status and payment window of one or more classes of Bonds and (ii) a column or other entry showing the status of the subscriptions for the Bonds, both for the Bonds as a whole and for each Underwriter's retention, and/or expected pricing parameters of the Bonds).

Each Underwriter shall comply with all applicable laws and regulations in connection with the use of Free Writing Prospectuses and Pricing Term Sheet, including but not limited to Rules 164 and 433 under the Securities Act.

All Free Writing Prospectuses provided to investors, whether or not filed with the Commission, shall bear a legend including substantially the following statement:

> The Issuer and AEP Texas have filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer and AEP Texas have filed with the SEC for more complete information about the Issuer and AEP Texas and the offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, Issuer, any underwriter or any dealer participating in the offering will arrange to send you the base prospectus if you request it by calling Goldman Sachs & Co., LLC collect at 1-866-471-2526 or Citigroup Global Markets Inc. toll-free at 1-800-831-9146 or prospecus@citi.com.

The Issuer and the Representatives shall have the right to require additional specific legends or notations to appear on any Free Writing Prospectus, the right to require changes regarding the use of terminology and the right to determine the types of information appearing therein with the approval of, in the case of the Issuer, Representatives and, in the case of the Representatives, the Issuer (which in either case shall not be unreasonably withheld).

Each Underwriter covenants with the Issuer and AEP Texas that after the Final Prospectus is available such Underwriter shall not distribute any written information concerning the Bonds to an investor unless such information is preceded or accompanied by the Final Prospectus or by notice to the investor that the Final Prospectus is available for free by visiting EDGAR on the SEC website at www.sec.gov.

Each Underwriter covenants that if an Underwriter shall use an Underwriter Free Writing Prospectus that contains information in addition to (x) "issuer information", including information with respect to AEP Texas, as defined in Rule 433(h)(2) under the Securities Act or (y) the information in the Pricing Package, the liability arising from its use of such additional information shall be the sole responsibility of the Underwriter using such Underwriting Free Writing Prospectus unless the Underwriter Free Writing Prospectus (or any information contained therein) was consented to in advance by AEP Texas; provided, however, that, for the avoidance of doubt, this clause (v) shall not be interpreted as tantamount to the indemnification obligations contained in Section 11(b) hereof.

Purchase and Sale. On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Issuer shall sell to each of the Underwriters, and each Underwriter shall purchase from the Issuer, at the time and place herein specified, severally and not jointly, at the purchase price set forth in Schedule I hereto, the principal amount of the Bonds set forth opposite such Underwriter's name in Schedule II hereto. The Underwriters agree to make a public offering of the Bonds. The Issuer shall pay (in the form of a discount to the principal amount of the offered Bonds) to the Underwriters a commission equal to $941,128.

Time and Place of Closing. Delivery of the Bonds against payment of the aggregate purchase price therefor by wire transfer in federal funds shall be made at the place, on the date and at the time specified in Schedule I hereto, or at such other place, time and date as shall be agreed upon in writing by the Issuer and the Representatives. The hour and date of such delivery and payment are herein called the "Closing Date". The Bonds shall be delivered to DTC or to U.S. Bank National Association, as custodian for DTC, in fully registered global form registered in the name of Cede & Co., for the respective accounts specified by the Representatives not later than the close of business on the business day preceding the Closing Date or such other time as may be agreed upon by the Representatives. The Issuer agrees to make the Bonds available to the Representatives for checking purposes not later than 1:00 P.M. New York Time on the last business day preceding the Closing Date at the place specified for delivery of the Bonds in Schedule I hereto, or at such other place as the Issuer may specify.

If any Underwriter shall fail or refuse to purchase and pay for the aggregate principal amount of Bonds that such Underwriter has agreed to purchase and pay for hereunder, the Issuer shall immediately give notice to the other Underwriters of the default of such Underwriter, and the other Underwriters shall have the right within 24 hours after the receipt of such notice to determine to purchase, or to procure one or more others, who are members of the Financial Industry Regulatory Authority ("FINRA") (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules) and satisfactory to the Issuer, to purchase, upon the terms herein set forth, the aggregate principal amount of Bonds that the defaulting Underwriter had agreed to purchase. If any non-defaulting Underwriter or Underwriters shall determine to exercise such right, such Underwriter or Underwriters shall give written notice to the Issuer of the determination in that regard within 24 hours after receipt of notice of any such default, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine. If in the event of such a default no non-defaulting Underwriter shall give such notice, then this Underwriting Agreement may be terminated by the Issuer, upon like notice given to the non-defaulting Underwriters, within a further period of 24 hours. If in such case the Issuer shall not elect to terminate this Underwriting Agreement it shall have the right, irrespective of such default:

to require each non-defaulting Underwriter to purchase and pay for the respective aggregate principal amount of Bonds that it had agreed to purchase hereunder as hereinabove provided and, in addition, the aggregate principal amount of Bonds that the defaulting Underwriter shall have so failed to purchase up to an aggregate principal amount of Bonds equal to one-ninth (1/9) of the aggregate principal amount of Bonds that such non-defaulting Underwriter has otherwise agreed to purchase hereunder, and/or

to procure one or more persons, reasonably acceptable to the Representatives, who are members of the FINRA (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules), to purchase, upon the terms herein set forth, either all or a part of the aggregate principal amount of Bonds that such defaulting Underwriter had agreed to purchase or that portion thereof that the remaining Underwriters shall not be obligated to purchase pursuant to the foregoing clause (a).

In the event the Issuer shall exercise its rights under (a) and/or (b) above, the Issuer shall give written notice thereof to the non-defaulting Underwriters within such further period of 24 hours, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine.

In the computation of any period of 24 hours referred to in this Section 7, there shall be excluded a period of 24 hours in respect of each Saturday, Sunday or legal holiday that would otherwise be included in such period of time.

Any action taken by the Issuer or AEP Texas under this Section 7 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Underwriting Agreement. Termination of this Underwriting Agreement pursuant to Section 7 shall be without any liability on the part of the Issuer, AEP Texas or any non-defaulting Underwriter, except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

Covenants.

Covenants of the Issuer. The Issuer covenants and agrees with the several Underwriters that:

The Issuer will upon request promptly deliver to the Representatives and Counsel to the Underwriters a conformed copy of the Registration Statement, certified by an officer of the Issuer to be in the form as originally filed and all amendments thereto.

The Issuer will deliver to the Underwriters, as soon as practicable after the date hereof, as many copies of the Pricing Prospectus and Final Prospectus as they may reasonably request.

The Issuer will cause or has caused the Final Prospectus to be filed with the Commission pursuant to Rule 424 under the Securities Act as soon as practicable and will advise the Underwriters of any stop order suspending the effectiveness of the Registration Statement or the institution of any proceeding therefor of which Issuer shall have received notice. The Issuer will use its reasonable best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof. The Issuer has complied and will comply with Rule 433 under the Securities Act in connection with the offering of the Bonds.

If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 under the Securities Act as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting the Issuer, the Bonds or the Transition Property or of which the Issuer shall be advised in writing by the Representatives shall occur that in the Issuer's reasonable judgment after consultation with Counsel for the Underwriters (as defined below) should be set forth in a supplement to, or an amendment of the Pricing Package or the Final Prospectus in order to make the Pricing Package or the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), the Issuer will, at its expense, amend or supplement the Pricing Package or the Final Prospectus by either (A) preparing and furnishing to the Underwriters at the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Pricing Package or the Final Prospectus or (B) making an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Pricing Package or the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Pricing Package or the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. The Issuer will also fulfill its obligations set out in Section 3(d) above.

The Issuer will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Bonds for offer and sale under the blue-sky laws of the states of the United States as the Representatives may designate; provided that the Issuer shall not be required to qualify as a foreign limited liability company or dealer in securities, to file any consents to service of process under the laws of any jurisdiction, or meet any other requirements deemed by the Issuer to be unduly burdensome.

The Issuer or AEP Texas will, except as herein provided, pay or cause to be paid all expenses and taxes (except transfer taxes) in connection with (i) the preparation and filing by it of the Registration Statement, Pricing Prospectus and Final Prospectus (including any amendments and supplements thereto) and any Issuer Free Writing Prospectuses, (ii) the issuance and delivery of the Bonds as provided in Section 7 hereof (including, without limitation, reasonable fees and disbursements of Counsel for the Underwriters and all trustee, rating agency and PUCT advisor fees), (iii) the qualification of the Bonds under blue-sky laws (including counsel fees not to exceed $15,000), (iv) the printing and delivery to the Underwriters of reasonable quantities of the Registration Statement and, except as provided in Section 8(a)(iv) hereof, of the Pricing Package and Final Prospectus. If the obligation of the Underwriters to purchase the Bonds terminates in accordance with the provisions of Sections 7 (but excluding terminations arising thereunder out of an Underwriter default), 9, 10 or 12 hereof, the Issuer or AEP Texas (i) will reimburse the Underwriters for the reasonable fees and disbursements of Counsel for the Underwriters, and (ii) will reimburse the Underwriters for their reasonable out-of-pocket expenses, such out-of-pocket expenses in an aggregate amount not exceeding $200,000, incurred in contemplation of the performance of this Underwriting Agreement. The Issuer shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits.

During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, the Issuer will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(bb) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by the Issuer on or after the Closing Date, the Issuer shall furnish such documents and take such other actions.

For a period from the date of this Underwriting Agreement until the retirement of the Bonds or until such time as the Underwriters shall cease to maintain a secondary market in the Bonds, whichever occurs first, the Issuer shall file with the Commission, and to the extent permitted by and consistent with the Issuer's obligations under applicable law, make available on the website associated with the Issuer's parent, such periodic reports, if any, as are required (without regard to the number of holders of Bonds to the extent permitted by and consistent with the Issuer's obligations under applicable law) from time to time under Section 13 or Section 15(d) of the Exchange Act; provided that the Issuer shall not voluntarily suspend or terminate its filing obligations with the Commission unless permitted under applicable law and the terms of the Basic Documents. The Issuer shall also, to the extent permitted by and consistent with the Issuer's obligations under applicable law, include in the periodic and other reports to be filed with the Commission as provided above or posted on the website associated with the Issuer's parent, such information as required by Section 3.07(g) of the Indenture with respect to the Bonds. To the extent that the Issuer's obligations are terminated or limited by an amendment to Section 3.07(g) of the Indenture, or otherwise, such obligations shall be correspondingly terminated or limited hereunder.

The Issuer and AEP Texas will not file any amendment to the Registration Statement or amendment or supplement to the Final Prospectus or amendment or supplement to the Pricing Package during the period when a prospectus relating to the Bonds is required to be delivered under the Securities Act, without prior notice to the Underwriters, or to which Hunton Andrews Kurth LLP, who are acting as counsel for the Underwriters ("Counsel for the Underwriters"), shall reasonably object by written notice to AEP Texas and the Issuer.

So long as any of the Bonds are outstanding, the Issuer will furnish to the Representatives, if and to the extent not posted on EDGAR or the Issuer or its affiliate's website, (A) as soon as available, a copy of each report of the Issuer filed with the Commission under the Exchange Act or mailed to the Bondholders (to the extent such reports are not publicly available on the Commission's website), (B) upon request, a copy of any filings with the PUCT pursuant to the Financing Order including, but not limited to, any issuance advice letter or any annual, semi-annual or more frequent True-Up Adjustment filings, and (C) from time to time, any information concerning the Issuer as the Representatives may reasonably request.

So long as the Bonds are rated by any Rating Agency, the Issuer will comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

Covenants of AEP Texas. AEP Texas covenants and agrees with the several Underwriters that, to the extent that the Issuer has not already performed such act pursuant to Section 8(a):

To the extent permitted by applicable law and the agreements and instruments that bind AEP Texas, AEP Texas will use its reasonable best efforts to cause the Issuer to comply with the covenants set forth in Section 8(a) hereof.

AEP Texas will use its reasonable best efforts to prevent the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement and, if issued, to obtain as soon as possible the withdrawal thereof.

If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 under the Securities Act as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting AEP Texas, the Bonds or the Transition Property or of which AEP Texas shall be advised in writing by the Representatives shall occur that in AEP Texas' reasonable judgment after consultation with Counsel for the Underwriters should be set forth in a supplement to, or an amendment of, the Pricing Package or the Final Prospectus in order to make the Pricing Package or the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), AEP Texas will cause the Issuer, at AEP Texas' or the Issuer's expense, to amend or supplement the Pricing Package or the Final Prospectus by either (A) preparing and furnishing to the Underwriters at AEP Texas' or the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Pricing Package or the Final Prospectus or (B) causing the Issuer to make an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Pricing Package or the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Pricing Package or the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. AEP Texas will also fulfill its obligations set out in Section 4(d).

During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, AEP Texas will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

AEP Texas will cause the proceeds for the issuance and sale of the Bonds to be applied for the purposes described in the Pricing Prospectus.

As soon as practicable, but not later than 16 months, after the date hereof, the AEP Texas will make generally available (by posting on its website or otherwise) to its security holders, an earnings statement (which need not be audited) that will satisfy the provisions of Section 11(a) of the Securities Act.

To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(bb) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by AEP Texas on or after the Closing Date, AEP Texas shall furnish such documents and take such other actions.

The initial System Restoration Charge will be calculated in accordance with the Financing Order.

AEP Texas will not file any amendment to the Registration Statement or amendment or supplement to the Final Prospectus or amendment or supplement to the Pricing Package during the period when a prospectus relating to the Bonds is required to be delivered under the Securities Act, without prior notice to the Underwriters or to which Counsel for the Underwriters shall reasonably object by written notice to AEP Texas.

So long as any of the Bonds are outstanding, AEP Texas, in its capacity as sponsor with respect to the Bonds, will cause the Issuer to furnish to the Representatives, if and to the extent not posted on EDGAR or AEP Texas or its affiliate's website, (A) upon request, a copy of any filings with the PUCT pursuant to the Financing Order including, but not limited to any issuance advice letter, any annual, semi-annual or more frequent true-up adjustment filings, and (B) from time to time, any public financial information in respect of AEP Texas, or any material information regarding the Transition Property to the extent it is reasonably available (other than confidential or proprietary information) concerning the Issuer as the Representatives may reasonably request.

So long as the Bonds are rated by a Rating Agency, AEP Texas, in its capacity as sponsor with respect to the Bonds, will cause the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Bonds shall be subject to the accuracy of the representations and warranties on the part of the Issuer and AEP Texas contained in this Underwriting Agreement, on the part of AEP Texas contained in Article III of the Sale Agreement, and on the part of AEP Texas contained in Section 6.01 of the Servicing Agreement as of the Closing Date, to the accuracy of the statements of the Issuer and AEP Texas made in any certificates pursuant to the provisions hereof, to the performance by the Issuer and AEP Texas of their obligations hereunder, and to the following additional conditions:

The Final Prospectus shall have been filed with the Commission pursuant to Rule 424 under the Securities Act prior to 5:30 P.M., New York time, on the second business day after the date of this Underwriting Agreement. In addition, all material required to be filed by the Issuer or AEP Texas pursuant to Rule 433(d) under the Securities Act that was prepared by either of them or that was prepared by any Underwriter and timely provided to the Issuer or AEP Texas shall have been filed with the Commission within the applicable time period prescribed for such filing by such Rule 433(d) under the Securities Act.

No stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for that purpose shall be pending before, or threatened by, the Commission on the Closing Date; and the Underwriters shall have received one or more certificates, dated the Closing Date and signed by an officer of AEP Texas and the Issuer, as appropriate, to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before, or to the knowledge of AEP Texas or the Issuer, as the case may be, threatened by, the Commission.

Hunton Andrews Kurth LLP, counsel for the Underwriters, shall have furnished to the Representatives their written opinion, dated the Closing Date, with respect to the issuance and sale of the Bonds, the Indenture, the other Issuer Documents, the Registration Statement and other related matters; and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding the filing of a voluntary bankruptcy petition.

Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain Delaware Uniform Commercial Code matters.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain aspects of the transactions contemplated by the Issuer Documents, including the Indenture and the Trustee's security interest under the Uniform Commercial Code.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding negative assurances and other corporate matters.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, i) to the effect that a court sitting in bankruptcy would not order the substantive consolidation of the assets and liabilities of the Issuer with those of AEP Texas in connection with a bankruptcy, reorganization or other insolvency proceeding involving AEP Texas, ii) that if AEP Texas were to become a debtor in such insolvency proceeding, such court would hold that the Transition Property is not property of the estate of AEP Texas and iii) regarding bankruptcy and corporate governance matters.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain Texas constitutional matters relating to the Transition Property.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain federal tax matters.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, with respect to the characterization of the transfer of the Transition Property by AEP Texas to the Issuer as a "true sale" for Texas law purposes.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives its written respective opinions, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain federal constitutional matters relating to the Transition Property.

Chapman and Cutler LLP, counsel for the Indenture Trustee, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain matters relating to the Indenture Trustee and the Securities Intermediary.

Duggins Wren Mann & Romero, LLP, Texas regulatory counsel for AEP Texas and the Issuer, shall have furnished to the representatives their opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding the constitutionality under the United States Constitution of the Texas Electric Choice Plan (Tex. Util. Code Ann. §§ 11.001-64.158).

Duggins Wren Mann & Romero, LLP, Texas regulatory counsel for AEP Texas and the Issuer, shall have furnished to the representatives their opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, with respect to the treatment of Retail Electric Provider payments as transition charges.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding enforceability and certain Texas perfection and priority issues.

Sidley Austin LLP, counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain bankruptcy matters relating to the Issuer.

Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain matters of Delaware law.

Duggins Wren Mann & Romero, LLP, Texas regulatory counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain Texas regulatory issues.

Sidley Austin LLP, counsel to the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding certain Texas tax matters.

Sidley Austin LLP, counsel to the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding the consequences of the abolishment of the PUCT or the repeal of PURA by operation of the Texas Sunset Act.

Sidley Austin LLP, counsel to the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, regarding additional corporate matters.

Duggins Wren Mann & Romero, LLP, Texas regulatory counsel for the Issuer and AEP Texas, shall have furnished to the Representatives their written opinion, dated the Closed Date, in form and substance reasonably satisfactory to the Representatives, regarding additional corporate matters.

On or before the date of this Underwriting Agreement and on or before the Closing Date, a nationally recognized accounting firm reasonably acceptable to the Representatives shall have furnished to the Representatives one or more reports regarding certain calculations and computations relating to the Bonds, in form or substance reasonably satisfactory to the Representatives, in each case in respect of which the Representatives shall have made specific requests therefor and shall have provided acknowledgment or similar letters to such firm reasonably necessary in order for such firm to issue such reports.

Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Pricing Prospectus and the Final Prospectus, there shall not have been any change specified in the letters required by subsection (x) of this Section 9 which is, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds as contemplated by the Registration Statement and the Final Prospectus.

The LLC Agreement, the Administration Agreement, the Intercreditor Agreement, the Sale Agreement, the Servicing Agreement and the Indenture and any amendment or supplement to any of the foregoing shall have been executed and delivered.

Since the respective dates as of which information is given in each of the Registration Statement and in the Pricing Prospectus and as of the Closing Date there shall have been no (i) material adverse change in the business, property or financial condition of AEP Texas and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or of the Issuer or (ii) adverse development concerning the business or assets of AEP Texas and its subsidiaries, taken as a whole, or of the Issuer which would be reasonably likely to result in a material adverse change in the prospective business, property or financial condition of AEP Texas and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or of the Issuer or (iii) development which would be reasonably likely to result in a material adverse change, in the Transition Property, the Bonds or the Financing Order.

At the Closing Date, (i) the Bonds shall be rated at least the ratings set forth in the Pricing Term Sheet by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively, and the Issuer shall have delivered to the Underwriters a letter from each such rating agency, or other evidence satisfactory to the Underwriters, confirming that the Bonds have such ratings, and (ii) none of Moody's and S&P shall have, since the date of this Underwriting Agreement, downgraded or publicly announced that it has under surveillance or review, with possible negative implications, its ratings of the Bonds.

The Issuer and AEP Texas shall have furnished or caused to be furnished to the Representatives at the Closing Date certificates of officers of AEP Texas and the Issuer, reasonably satisfactory to the Representatives, as to the accuracy of the representations and warranties of the Issuer and AEP Texas herein, in the Sale Agreement, Servicing Agreement and the Indenture at and as of the Closing Date, as to the performance by the Issuer and AEP Texas of all of their obligations hereunder to be performed at or prior to such Closing Date, as to the matters set forth in subsections (b) and (z) of this Section and as to such other matters as the Representatives may reasonably request.

An issuance advice letter, in a form consistent with the provisions of the Financing Order, shall have been filed with the PUCT and shall have become effective.

On or prior to the Closing Date, the Issuer shall have delivered to the Representatives evidence, in form and substance reasonably satisfactory to the Representatives, that appropriate filings have been or are being made in accordance with the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code Act, the Financing Order and other applicable law reflecting the grant of a security interest by the Issuer in the collateral relating to the Bonds to the Indenture Trustee, including the filing of the requisite notices in the office of the Secretary of State of the State of Texas.

On or prior to the Closing Date, AEP Texas shall have funded the capital subaccount of the Issuer with cash in an amount equal to $1,176,410.

The Issuer and AEP Texas shall have furnished or caused to be furnished or agree to furnish to the Rating Agencies at the Closing Date such opinions and certificates as the Rating Agencies shall have reasonably requested prior to the Closing Date.

Any opinion letters delivered on the Closing Date to the Rating Agencies beyond those being delivered to the Underwriters above shall either (x) include the Underwriters as addressees or (y) be accompanied by reliance letters addressed to the Underwriters referencing such letters.

If any of the conditions specified in this Section 9 shall not have been fulfilled when and as provided in this Underwriting Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Underwriting Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and Counsel for the Underwriters, all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Issuer in writing or by telephone or facsimile confirmed in writing.

Conditions of Issuer's Obligations. The obligation of the Issuer to deliver the Bonds shall be subject to the conditions that no stop order suspending the effectiveness of the Registration Statement shall be in effect at the Closing Date and no proceeding for that purpose shall be pending before, or threatened by, the Commission at the Closing Date and the issuance advice letter described in Section 9(dd) shall have become effective. In case these conditions shall not have been fulfilled, this Underwriting Agreement may be terminated by the Issuer upon notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

Indemnification and Contribution.

AEP Texas and the Issuer, jointly and severally, shall indemnify, defend and hold harmless each Underwriter, each Underwriter's officers and directors and each person who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or Exchange Act or any other statute or common law and shall reimburse each such Underwriter and controlling person for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the Pricing Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, the Final Prospectus or, in each case, any amendment or supplement thereto, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading or (iii) any information prepared by or on behalf of AEP Texas or the Issuer and provided to the Underwriters; provided, however, that the indemnity agreement contained in this Section 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, in each case if such statement or omission was made in reliance upon and in conformity with any Underwriter Information (as defined in Section 11(b) hereof), or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the Trust Indenture Act of the Indenture Trustee with respect to any indenture qualified pursuant to the Registration Statement; provided, further that the indemnity agreement contained in this Section 11 shall not inure to the benefit of any Underwriter (or of any officer or director of such Underwriter or of any person controlling such Underwriter within the meaning of Section 15 of the Securities Act) on account of any such losses, claims, damages, liabilities, expenses or actions, joint or several, arising from the sale of the Bonds to any person to whom such Underwriter has sold Bonds if a copy of the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto shall have been furnished to the Underwriters reasonably prior to the time of the sale involved) shall not have been given or sent to such person by or on behalf of such Underwriter at the time of or prior to the sale of the Bonds to such person unless the alleged omission or alleged untrue statement was not corrected in the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto have been furnished to the Underwriters reasonably prior to the time of the sale involved) at the time of such sale. The indemnity agreement of AEP Texas and Issuer contained in this Section 11 and the representations and warranties of the Issuer and AEP Texas contained in Sections 3 and 4 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of any Underwriter, its officers or its directors or any such controlling person, and shall survive the delivery of the Bonds.

Each Underwriter shall severally and not jointly indemnify, defend and hold harmless AEP Texas and the Issuer, each of AEP Texas' and Issuer's respective officers, directors, and managers, and each person who controls the Issuer or AEP Texas within the meaning of Section 15 of the Securities Act, from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or any other statute or common law and shall reimburse each of them for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with the Underwriter Information or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Final Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; if such statement or omission was made in reliance upon and in conformity with the Underwriter Information. The only such information furnished to AEP Texas by the Underwriters in writing expressly for use in such foregoing documents is set forth in Schedule IV hereto (the "Underwriter Information"). The indemnity agreement of the respective Underwriters contained in this Section 11 and the representations and warranties of the Underwriters contained in Sections 5 and 13 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of AEP Texas or the Issuer, their directors, managers or officers, any such Underwriter, or any such controlling person, and shall survive the delivery of the Bonds.

AEP Texas, the Issuer and the several Underwriters each shall, upon the receipt of notice of the commencement of any action against it or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought under (a) or (b) above, but the failure to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability hereunder to the extent such indemnifying party or parties is/are not materially prejudiced as a result of such failure to notify and in any event shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action (including impleaded parties) include both the indemnified party and the indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by a single counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, whose reasonable fees and expenses shall be paid by such indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (in addition to local counsel) representing the indemnified parties who are parties to such action). Each of AEP Texas, Issuer and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Underwriting Agreement, unless such settlement, compromise or consent (i) includes an unconditional release of such other party from all liability arising out of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such other party.

If the indemnification provided for in subparagraph (a) or (b) above shall be unavailable to or insufficient to hold harmless an indemnified party, each indemnifying party agrees to contribute to such indemnified party with respect to any and all losses, claims, damages, liabilities and expenses for which each such indemnification provided for in subparagraph (a) or (b) above shall be unavailable or insufficient, in such proportion as shall be appropriate to reflect (i) the relative benefits received by AEP Texas and the Issuer on the one hand and the Underwriters on the other hand from the offering of the Bonds pursuant to this Underwriting Agreement or (ii) if an allocation solely on the basis provided by clause (i) is not permitted by applicable law or is inequitable or against public policy, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party on the one hand and the indemnified party on the other in connection with the statements or omissions which have resulted in such losses, claims, damages, liabilities and expenses and (iii) any other relevant equitable considerations; provided, however, that no indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party not guilty of such fraudulent misrepresentation. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or the indemnified party and each such party's relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. AEP Texas, the Issuer and each of the Underwriters agree that it would not be just and equitable if contributions pursuant to this subparagraph (d) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 11, no Underwriter shall be required to contribute in excess of the amount equal to the excess of (i) the total underwriting discount and commissions received by it, over (ii) the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission. The obligations of each Underwriter to contribute pursuant to this Section 11 are several and not joint and shall be in the same proportion as such Underwriter's obligation to underwrite Bonds is to the total number of Bonds set forth in Schedule II hereto.

Termination. This Underwriting Agreement may be terminated, at any time prior to the Closing Date with respect to the Bonds by the Representatives by written notice to the Issuer if after the date hereof and at or prior to the Closing Date (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange ("NYSE") or there shall have been established by the NYSE, or by the Commission any general limitation on prices for such trading or any general restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities or (b) there shall have occurred any (i) material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) declaration by the United States of war or national or international calamity or crisis, including, but not limited to, a material escalation of hostilities that existed prior to the date of this Underwriting Agreement or (iii) material adverse change in the financial markets in the United States, and the effect of any such event specified in clause (a) or (b) above on the financial markets of the United States shall be such as to materially and adversely affect, in the reasonable judgment of the Representatives, their ability to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated by the Final Prospectus. Any termination hereof pursuant to this Section 12 shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

Representations, Warranties and Covenants of the Underwriters. The Underwriters, severally and not jointly, represent, warrant and agree with the Issuer and AEP Texas that, unless the Underwriters obtained, or will obtain, the prior written consent of the Issuer or AEP Texas, the Representatives (x) have not delivered, and will not deliver, any Rating Information (as defined below) to any Rating Agency until and unless the Issuer or AEP Texas advises the Underwriters that such Rating Information is posted to password-protected website maintained by the Servicer pursuant to paragraph (a)(3)(iii)(B) of Rule 17g-5 under the Exchange Act in the same form as it will be provided to such Rating Agency, and (y) have not participated, and will not participate, with any Rating Agency in any oral communication of any Rating Information without the participation of a representative of the Issuer or AEP Texas. For purposes of this Section 13, "Rating Information" means any information provided to a Rating Agency for the purpose of determining an initial credit rating on the Bonds.

Absence of Fiduciary Relationship. Each of the Issuer and AEP Texas acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and AEP Texas with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or AEP Texas. Additionally, none of the Underwriters is advising the Issuer or AEP Texas as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and AEP Texas shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or AEP Texas with respect thereto. Any review by the Underwriters of the Issuer or AEP Texas, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or AEP Texas.

Notices. All communications hereunder will be in writing and may be given by United States mail, courier service, telecopy, telefax or facsimile (confirmed by telephone or in writing in the case of notice by telecopy, telefax or facsimile) or any other customary means of communication, and any such communication shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid, and if sent to the Representatives, to it at the address specified in Schedule I hereto; and if sent to AEP Texas, to it at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer; and if sent to the Issuer, to it at 539 North Carancahua Street, Suite 1700, Corpus Christi, Texas, 78401, Attention: Manager. The parties hereto, by notice to the others, may designate additional or different addresses for subsequent communications.

Successors. This Underwriting Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 11 hereof, and no other person will have any right or obligation hereunder.

Applicable Law. This Underwriting Agreement will be governed by and construed in accordance with the laws of the State of New York.

Counterparts. This Underwriting Agreement may be signed in any number of counterparts, each of which shall be deemed an original, which taken together shall constitute one and the same instrument.

Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Issuer, AEP Texas and the Underwriters, or any of them, with respect to the subject matter hereof.

Recognition of the U.S. Special Resolution Regimes

In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Underwriting Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Underwriting Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Underwriting Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Underwriting Agreement were governed by the laws of the United States or a state of the United States.

"BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"U.S. Special Resolution Regime" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among AEP Texas, the Issuer and the several Underwriters.

Very truly yours,

AEP TEXAS INC.

By: /s/ Renee V. Hawkins
Name: Renee V. Hawkins
Title: Assistant Treasurer

AEP TEXAS RESTORATION FUNDING LLC

By: /s/ Renee V. Hawkins
Name: Renee V. Hawkins
Title: Assistant Treasurer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the

Representatives on behalf of the Underwriters as of the date specified in Schedule I hereto.

GOLDMAN SACHS & CO., LLC

By: /s/ Katrina Niehaus

Name: Katrina Niehaus
Title: Managing Director

CITIGROUP GLOBAL MARKETS INC.

By: /s/ Steffen Lunde

Name: Steffen Lunde
Title: Vice President

SCHEDULE I

Underwriting Agreement dated September 11, 2019

Registration Statement Nos. 333-232430 and 333-232430-01

Representatives: Goldman Sachs & Co., LLC and Citigroup Global Markets Inc.

c/o Goldman Sachs & Co., LLC

Address: 200 West Street
New York, New York 10282

Attention: Katrina Niehaus

c/o Citigroup Global Markets Inc.

Address: 388 Greenwich Street
New York, New York 10013

Attention: Steffen Lunde

Title, Purchase Price and Description of Bonds:

Title: AEP Texas Restoration Funding LLC Senior Secured System Restoration Bonds,

	Total Principal Amount of Tranche	Bond Rate	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuer (Before Expenses)
Per Tranche A-1 Bond	$ 117,641,000	2.0558%	99.99984%	0.40%	$ 117,170,248
Per Tranche A-2 Bond	$ 117,641,000	2.2939%	99.99982%	0.40%	$ 117,170,224
Total	$ 235,282,000				$ 234,340,472

Original Issue Discount (if any): $400

Redemption provisions: None

Other provisions: None

Closing Date, Time and Location: September 18, 2019, 10:00 a.m.; offices of Sidley Austin LLP; One South Dearborn Street, Chicago, Illinois 60603 and simultaneously in the offices of Hunton Andrews Kurth LLP, 200 Park Avenue, New York, New York 10166

SCHEDULE II

Principal Amount of Bonds to be Purchased

Underwriter	Tranche A-1	Tranche A-2	Total
Goldman Sachs & Co., LLC	$ 58,821,000	$ 58,821,000	$ 117,642,000
Citigroup Global Markets Inc.	52,938,000	52,938,000	105,876,000
Loop Capital Markets LLC	2,941,000	2,941,000	5,882,000
Samuel A. Ramirez & Company, Inc.	2,941,000	2,941,000	5,882,000
Total	$ 117,641,000	$ 117,641,000	$ 235,282,000

SCHEDULE III

Schedule of Issuer Free Writing Prospectuses

A. Free Writing Prospectuses not required to be filed

Electronic Road Show

B. Free Writing Prospectuses required to be filed pursuant to Rule 433

Pricing Term Sheet, dated September 11, 2019

SCHEDULE IV

Descriptive List of Underwriter Provided Information

A. Pricing Prospectus

(a) under the heading "PLAN OF DISTRIBUTION" in the Preliminary Prospectus: (i) the paragraph immediately under "The Underwriters' Sale Price for the Bonds"; (ii) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the bonds"; (iii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the bonds" (except the last sentence thereof); and (iv) the second sentence of the second full paragraph and the last sentence of the fifth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the bonds"; and (b) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE SYSTEM RESTORATION BONDS" in the Preliminary Prospectus, the first sentence under the caption "The absence of a secondary market for a series of system restoration bonds might limit your ability to resell your system restoration bonds."

B. Final Prospectus

(a) under the heading "PLAN OF DISTRIBUTION" in the Prospectus: (i) the paragraph immediately under "The Underwriters' Sale Price for the bonds"; (ii) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the bonds"; (iii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the bonds" (except the last sentence thereof); and (iv) the second sentence of the second full paragraph and the last sentence of the fifth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds"; and (b) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE SYSTEM RESTORATION BONDS" in the Prospectus, the first sentence under the caption "The absence of a secondary market for a series of system restoration bonds might limit your ability to resell your system restoration bonds."

EXHIBIT 4.1

AEP TEXAS RESTORATION FUNDING LLC,

Issuer,

and

U.S. BANK NATIONAL ASSOCIATION,

Indenture Trustee and Securities Intermediary

INDENTURE

Dated as of September 18, 2019

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

APPENDIX

TRUST INDENTURE ACT CROSS REFERENCE TABLE

TIA Section		Indenture Section
310	(a)(1)	6.11
	(a)(2)	6.11
	(a)(3)	6.10(b)(i)
	(a)(4)	N.A.
	(a)(5)	6.11
	(b)	6.11
311	(a)	6.12
	(b)	6.12
312	(a)	7.01 and 7.02
	(b)	7.02(b)
	(c)	7.02(c)
313	(a)	7.04
	(b)(1)	7.04
	(b)(2)	7.04
	(c)	7.04
	(d)	N/A
314	(a)	3.09, 4.01, and 7.03(a)
	(b)	3.06 and 4.01
	(c)(1)	2.10, 4.01, 8.04(b) and 10.01(a)
	(c)(2)	2.10, 4.01, 8.04(b) and 10.01(a)
	(c)(3)	2.10 4.01 and 10.01(a)
	(d)	2.10, 8.04(b) and 10.01(b)
	(e)	10.01(a)
	(f)	10.01(a)
315	(a)	6.01(b)(i) and (ii)
	(b)	6.05

TIA Section		Indenture Section
	(c)	6.01 (a)
	(d)	6.01(c)(i)-(iii)
	(e)	5.13
316	(a) (last sentence)	Appendix A – definition of "Outstanding"
	(a)(1)(A)	5.11
	(a)(1)(B)	5.12
	(a)(2)	N/A
	(b)	5.07
	(c)	Appendix A – definition of "Record Date"
317	(a)(1)	5.03(a)
	(a)(2)	5.03(c)(iv)
	(b)	3.03
318	(a)	10.07
	(b)	10.07
	(c)	10.07

** "N/A" shall mean "not applicable."

THIS CROSS REFERENCE TABLE SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THIS INDENTURE.

This INDENTURE dated as of September 18, 2019, by and between AEP TEXAS RESTORATION FUNDING LLC, a Delaware limited liability company (the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties (as defined herein) and in its separate capacity as a securities intermediary and account bank (the "Securities Intermediary").

In consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other and each of the Holders:

RECITALS OF THE ISSUER

The Issuer has duly authorized the execution and delivery of this Indenture and the creation and issuance of the System Restoration Bonds issuable hereunder, which will be of substantially the tenor set forth herein and in the Series Supplement.

The System Restoration Bonds shall be non-recourse obligations and shall be secured by and payable solely out of the proceeds of the Transition Property and the other System Restoration Bond Collateral. If and to the extent that such proceeds of Transition Property and the other System Restoration Bond Collateral are insufficient to pay all amounts owing with respect to the System Restoration Bonds, then, except as otherwise expressly provided hereunder, the Holders shall have no Claim in respect of such insufficiency against the Issuer or the Indenture Trustee, and the Holders, by their acceptance of the System Restoration Bonds, waive any such Claim.

All things necessary to (a) make the System Restoration Bonds, when executed by the Issuer and authenticated and delivered by the Indenture Trustee hereunder and duly issued by the Issuer, valid obligations, and (b) make this Indenture a valid agreement of the Issuer, in each case, in accordance with their respective terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Issuer, in consideration of the premises herein contained and of the purchase of the System Restoration Bonds by the Holders and of other good and lawful consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure, equally and ratably without prejudice, priority or distinction, except as specifically otherwise set forth in this Indenture, the payment of the System Restoration Bonds, the payment of all other amounts due under or in connection with this Indenture (including, without limitation, all fees, expenses, counsel fees and other amounts due and owing to the Indenture Trustee) and the performance and observance of all of the covenants and conditions contained herein or in the System Restoration Bonds, has hereby executed and delivered this Indenture and by these presents does hereby and under the Series Supplement will convey, grant and assign, transfer and pledge, in each case, in and unto the Indenture Trustee, its successors and assigns forever, for the benefit of the Secured Parties, all and singular the property described in the Series Supplement (such property hereinafter referred to as the "System Restoration Bond Collateral"). The Series Supplement will more particularly describe the obligations of the Issuer secured by the System Restoration Bond Collateral.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED between the parties hereto that all System Restoration Bonds are to be issued, countersigned and delivered and that all of the System Restoration Bond Collateral is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and any successor, does hereby covenant and agree to and with the Indenture Trustee and its successors in said trust, for the benefit of the Secured Parties, as follows:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions. Except as otherwise specified herein or as the context may otherwise require, the capitalized terms used herein shall have the respective meanings set forth in Appendix A attached hereto and made a part hereof for all purposes of this Indenture.

SECTION 1.02. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, that provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the System Restoration Bonds.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Indenture Trustee.

"obligor" on the indenture securities means the Issuer and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.03. Rules of Construction. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in the United States of America as in effect from time to time;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular; and

(vi) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

THE SYSTEM RESTORATION BONDS

SECTION 2.01. Form. The System Restoration Bonds and the Indenture Trustee's certificate of authentication shall be in substantially the forms set forth in Exhibit A, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or by the Series Supplement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing the System Restoration Bonds, as evidenced by their execution of the System Restoration Bonds. Any portion of the text of any System Restoration Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the System Restoration Bond.

The System Restoration Bonds shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the officers executing the System Restoration Bonds, as evidenced by their execution of the System Restoration Bonds.

Each System Restoration Bond shall be dated the date of its authentication. The terms of the System Restoration Bonds set forth in Exhibit A are part of the terms of this Indenture.

SECTION 2.02. Denominations of System Restoration Bonds. The System Restoration Bonds shall be issuable in the Minimum Denomination specified in the Series Supplement and, except as otherwise provided in the Series Supplement, in integral multiples of $1,000 in excess thereof.

The System Restoration Bonds may, at the election of and as authorized by a Responsible Officer of the Issuer, be issued in one or more Tranches, and shall be designated generally as the "System Restoration Bonds" of the Issuer, with such further particular designations added or incorporated in such title for the System Restoration Bonds of any particular Tranche as a Responsible Officer of the Issuer may determine. Each System Restoration Bond shall bear upon its face the designation so selected for the Tranche to which it belongs. All System Restoration Bonds shall be identical in all respects except for the denominations thereof, unless the System Restoration Bonds are comprised of one or more Tranches, in which case all System Restoration Bonds of the same Tranche shall be identical in all respects except for the denominations thereof. All System Restoration Bonds of a particular Tranche shall be in all respects equally and ratably entitled to the benefits hereof without preference, priority, or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The System Restoration Bonds shall be created by the Series Supplement authorized by a Responsible Officer of the Issuer which shall establish the terms and provisions thereof. The several Tranches thereof may differ as between Tranches, in respect of any of the following matters:

(1) designation of the Tranches thereof;

(2) the principal amount (and, if more than one Tranche is issued, the respective principal amounts of such Tranches);

(3) the System Restoration Bond Interest Rate;

(4) the Payment Dates;

(5) the Scheduled Final Payment Date;

(6) the Final Maturity Date;

(7) the place or places for the payment of interest, principal and premium, if any;

(8) the Minimum Denominations;

(9) the Expected Amortization Schedule;

(10) provisions with respect to the definitions set forth in Appendix A hereto;

(11) whether or not the System Restoration Bonds are to be Book-Entry System Restoration Bonds and the extent to which Section 2.11 should apply; and

(12) any other provisions expressing or referring to the terms and conditions upon which the System Restoration Bonds of any Tranche are to be issued under this Indenture that are not in conflict with the provisions of this Indenture and as to which the Rating Agency Condition is satisfied.

SECTION 2.03. Execution, Authentication and Delivery. The System Restoration Bonds shall be executed on behalf of the Issuer by any of its Responsible Officers. The signature of any such Responsible Officer on the System Restoration Bonds may be manual or facsimile.

System Restoration Bonds bearing the manual or facsimile signature of individuals who were at any time Responsible Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of the System Restoration Bonds or did not hold such offices at the date of the System Restoration Bonds.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver System Restoration Bonds executed by the Issuer to the Indenture Trustee pursuant to an Issuer Order for authentication; and the Indenture Trustee shall authenticate and deliver the System Restoration Bonds as in this Indenture provided and not otherwise.

No System Restoration Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such System Restoration Bond a certificate of authentication substantially in the form provided for therein executed by the Indenture Trustee by the manual signature of one of its authorized signatories, and such certificate upon any System Restoration Bond shall be conclusive evidence, and the only evidence, that such System Restoration Bond has been duly authenticated and delivered hereunder.

SECTION 2.04. Temporary System Restoration Bonds. Pending the preparation of Definitive System Restoration Bonds pursuant to Section 2.13, the Issuer may execute, and upon receipt of an Issuer Order the Indenture Trustee shall authenticate and deliver, Temporary System Restoration Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, of the tenor of the Definitive System Restoration Bonds in lieu of which they are issued and with such variations not inconsistent with the terms of this Indenture as the officers executing the System Restoration Bonds may determine, as evidenced by their execution of the System Restoration Bonds.

If Temporary System Restoration Bonds are issued, the Issuer will cause Definitive System Restoration Bonds to be prepared without unreasonable delay. After the preparation of Definitive System Restoration Bonds, the Temporary System Restoration Bonds shall be exchangeable for Definitive System Restoration Bonds upon surrender of the Temporary System Restoration Bonds at the office or agency of the Issuer to be maintained as provided in Section 3.02, without charge to the Holder. Upon surrender for cancellation of any one or more Temporary System Restoration Bonds, the System Restoration Bond Issuer shall execute and the Indenture Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive System Restoration Bonds of authorized denominations. Until so delivered in exchange, the Temporary System Restoration Bonds shall in all respects be entitled to the same benefits under this Indenture as Definitive System Restoration Bonds.

SECTION 2.05. Registration; Registration of Transfer and Exchange of System Restoration Bonds. The Issuer shall cause to be kept a register (the "System Restoration Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of System Restoration Bonds and the registration of transfers of System Restoration Bonds. The Indenture Trustee shall be "System Restoration Bond Registrar" for the purpose of registering System Restoration Bonds and transfers of System Restoration Bonds as herein provided. Upon any resignation of any System Restoration Bond Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of System Restoration Bond Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as System Restoration Bond Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such System Restoration Bond Registrar and of the location, and any change in the location, of the System Restoration Bond Register, and the Indenture Trustee shall have the right to inspect the System Restoration Bond Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely conclusively upon a certificate executed on behalf of the System Restoration Bond Registrar by a Responsible Officer thereof as to the names and addresses of the Holders and the principal amounts and number of the System Restoration Bonds (separately stated by Tranche).

Upon surrender for registration of transfer of any System Restoration Bond at the office or agency of the Issuer to be maintained as provided in Section 3.02, provided that the requirements of Section 8-401 of the UCC are met, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Holder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new System Restoration Bonds in any Minimum Denominations, of the same Tranche and aggregate principal amount.

At the option of the Holder, System Restoration Bonds may be exchanged for other System Restoration Bonds in any Minimum Denominations, of the same Tranche and aggregate principal amount, upon surrender of the System Restoration Bonds to be exchanged at such office or agency as provided in Section 3.02. Whenever any System Restoration Bonds are so surrendered for exchange, the Issuer shall, provided that the requirements of Section 8-401 of the UCC are met, execute and, upon any such execution, the Indenture Trustee shall authenticate and the Holder shall obtain from the Indenture Trustee, the System Restoration Bonds which the Holder making the exchange is entitled to receive.

All System Restoration Bonds issued upon any registration of transfer or exchange of other System Restoration Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the System Restoration Bonds surrendered upon such registration of transfer or exchange.

Every System Restoration Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by (a) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an institution which is a member of one of the following recognized Signature Guaranty Programs: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) such other guarantee program acceptable to the Indenture Trustee, and (b) such other documents as the Indenture Trustee may require.

No service charge shall be made to a Holder for any registration of transfer or exchange of System Restoration Bonds, but the Issuer or the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge or any fees or expenses of the Indenture Trustee that may be imposed in connection with any registration of transfer or exchange of System Restoration Bonds, other than exchanges pursuant to Sections 2.04 or 2.06 not involving any transfer.

The preceding provisions of this Section 2.05 notwithstanding, the Issuer shall not be required to make, and the System Restoration Bond Registrar need not register transfers or exchanges of any System Restoration Bond that has been submitted within fifteen (15) days preceding the due date for any payment with respect to such System Restoration Bond until after such due date has occurred.

SECTION 2.06. Mutilated, Destroyed, Lost or Stolen System Restoration Bonds. If (i) any mutilated System Restoration Bond is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any System Restoration Bond and (ii) there is delivered to the Indenture Trustee such security or indemnity as may be required by it to hold the Issuer and the Indenture Trustee harmless, then, in the absence of notice to the Issuer, the System Restoration Bond Registrar or the Indenture Trustee that such System Restoration Bond has been acquired by a Protected Purchaser, the Issuer shall, provided that the requirements of Section 8-401 of the UCC are met, execute and, upon the Issuer's written request, the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen System Restoration Bond, a replacement System Restoration Bond of like Tranche, tenor and principal amount, bearing a number not contemporaneously outstanding; provided, however, that if any such destroyed, lost or stolen System Restoration Bond, but not a mutilated System Restoration Bond, shall have become or within seven (7) days shall be due and payable, instead of issuing a replacement System Restoration Bond, the Issuer may pay such destroyed, lost or stolen System Restoration Bond when so due or payable without surrender thereof. If, after the delivery of such replacement System Restoration Bond or payment of a destroyed, lost or stolen System Restoration Bond pursuant to the proviso to the preceding sentence, a Protected Purchaser of the original System Restoration Bond in lieu of which such replacement System Restoration Bond was issued presents for payment such original System Restoration Bond, the Issuer and the Indenture Trustee shall be entitled to recover such replacement System Restoration Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement System Restoration Bond from such Person to whom such replacement System Restoration Bond was delivered or any assignee of such Person, except a Protected Purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement System Restoration Bond under this Section 2.06, the Issuer and/or the Indenture Trustee may require the payment by the Holder of such System Restoration Bond of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee and the System Restoration Bond Registrar) connected therewith.

Every replacement System Restoration Bond issued pursuant to this Section 2.06 in replacement of any mutilated, destroyed, lost or stolen System Restoration Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen System Restoration Bond shall be found at any time or enforced by any Person, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other System Restoration Bonds duly issued hereunder.

The provisions of this Section 2.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen System Restoration Bonds.

SECTION 2.07. Persons Deemed Owner. Prior to due presentment for registration of transfer of any System Restoration Bond, the Issuer, the Indenture Trustee, the System Restoration Bond Registrar and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name any System Restoration Bond is registered (as of the day of determination) as the owner of such System Restoration Bond for the purpose of receiving payments of principal of and premium, if any, and interest on such System Restoration Bond and for all other purposes whatsoever, whether or not such System Restoration Bond be overdue, and neither the Issuer, the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

SECTION 2.08. Payment of Principal, Premium, if any, and Interest; Interest on Overdue Principal; Principal, Premium, if any, and Interest Rights Preserved.

(a) The System Restoration Bonds shall accrue interest as provided in the Series Supplement at the applicable System Restoration Bond Interest Rate, and such interest shall be payable on each applicable Payment Date. Any installment of interest, principal or premium, if any, payable on any System Restoration Bond which is punctually paid or duly provided for on the applicable Payment Date shall be paid to the Person in whose name such System Restoration Bond (or one or more Predecessor System Restoration Bonds) is registered on the Record Date for such Payment Date by wire transfer to an account maintained by such Holder in accordance with payment instructions delivered to the Indenture Trustee by such Holder, except that with respect to Book-Entry System Restoration Bonds, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global System Restoration Bond unless and until such Global System Restoration Bond is exchanged for Definitive System Restoration Bonds (in which event payments shall be made as provided above), and except for the final installment of principal and premium, if any, payable with respect to such System Restoration Bond on a Payment Date which shall be payable as provided below.

(b) The principal of each System Restoration Bond of each Tranche shall be paid, to the extent funds are available therefor in the Collection Account, in installments on each Payment Date as specified in the Series Supplement; provided that installments of principal not paid when scheduled to be paid in accordance with the Expected Amortization Schedule shall be paid upon receipt of money available for such purpose, in the order set forth in Section 8.02(e). Failure to pay principal in accordance with such Expected Amortization Schedule because moneys are not available pursuant to Section 8.02 to make such payments shall not constitute a Default or Event of Default under this Indenture; provided, however that failure to pay the entire unpaid principal amount of the System Restoration Bonds of a Tranche upon the Final Maturity Date for the System Restoration Bonds shall constitute a Default or Event of Default under this Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the System Restoration Bonds shall be due and payable, if not previously paid, on the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Holders of the System Restoration Bonds representing not less than a majority of the Outstanding Amount of the System Restoration Bonds have declared the System Restoration Bonds to be immediately due and payable in the manner provided in Section 5.02. All payments of principal and premium, if any, on the System Restoration Bonds shall be made pro rata to the Holders entitled thereto unless otherwise provided in the Series Supplement. The Indenture Trustee shall notify the Person in whose name a System Restoration Bond is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and premium, if any, and interest on such System Restoration Bond will be paid. Such notice shall be mailed no later than five (5) days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such System Restoration Bond and shall specify the place where such System Restoration Bond may be presented and surrendered for payment of such installment.

(c) If interest on the System Restoration Bonds is not paid when due, such defaulted interest shall be paid (plus interest on such defaulted interest at the applicable System Restoration Bond Interest Rate to the extent lawful) to the Persons who are Holders on a subsequent Special Record Date, which date shall be at least fifteen (15) Business Days prior to the Special Payment Date. The Issuer shall fix or cause to be fixed any such Special Record Date and Special Payment Date, and, at least ten (10) days before any such Special Record Date, the Issuer shall mail to each affected Holder a notice that states the Special Record Date, the Special Payment Date and the amount of defaulted interest (plus interest on such defaulted interest) to be paid.

SECTION 2.09. Cancellation. All System Restoration Bonds surrendered for payment, registration of transfer or exchange shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall be promptly canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any System Restoration Bonds previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all System Restoration Bonds so delivered shall be promptly canceled by the Indenture Trustee. No System Restoration Bonds shall be authenticated in lieu of or in exchange for any System Restoration Bonds canceled as provided in this Section 2.09, except as expressly permitted by this Indenture. All canceled System Restoration Bonds may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time.

SECTION 2.10. Outstanding Amount; Authentication and Delivery of System Restoration Bonds. The aggregate Outstanding Amount of System Restoration Bonds that may be authenticated and delivered under this Indenture shall not exceed the aggregate of the amounts of System Restoration Bonds that are authorized in the Financing Order but otherwise shall be unlimited.

System Restoration Bonds created and established by the Series Supplement may at any time be executed by the Issuer and delivered to the Indenture Trustee for authentication and thereupon the same shall be authenticated and delivered by the Indenture Trustee upon Issuer Request and upon delivery by the Issuer to the Indenture Trustee, and receipt by the Indenture Trustee, or the causing to occur by the Issuer, of the following; provided, however, that compliance with such conditions and delivery of such documents shall only be required in connection with the original issuance of the System Restoration Bonds:

(1) Issuer Action. An Issuer Order authorizing and directing the authentication and delivery of the System Restoration Bonds by the Indenture Trustee and specifying the principal amount of System Restoration Bonds to be authenticated.

(2) Authorizations. Copies of (x) the Financing Order which shall be in full force and effect and be Final, (y) certified resolutions of the Managers or Member of the Issuer authorizing the execution and delivery of the Series Supplement and the execution, authentication and delivery of the System Restoration Bonds and (z) a duly executed Series Supplement.

(3) Opinions. An opinion or opinions, portions of which may be delivered by one or more Independent counsel for the Issuer, portions of which may be delivered by one or more Independent counsel for the Servicer, and portions of which may be delivered by one or more Independent counsel for the Seller, dated the Closing Date, in each case subject to the customary exceptions, qualifications and assumptions contained therein, to the collective effect, that (a) all conditions precedent provided for in this Indenture relating to (i) the authentication and delivery of the Issuer's System Restoration Bonds and (ii) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture, have been complied with, and (b) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture is permitted by this Indenture, together with the other Opinions of Counsel set forth in Sections 9(d)-(f), 9(h)-(w) of the Underwriting Agreement relating to the Issuer's System Restoration Bonds.

(4) Authorizing Certificate. An Officer's Certificate, dated the Closing Date, of the Issuer certifying that (a) the Issuer has duly authorized the execution and delivery of this Indenture and the Series Supplement and the execution and delivery of the System Restoration Bonds and (b) that the Series Supplement is in the form attached thereto, and it shall comply with the requirements of Section 2.02.

(5) The System Restoration Bond Collateral. The Issuer shall have made or caused to be made all filings with the PUCT and the Texas Secretary of State pursuant to the Financing Order and the Securitization Law and all other filings necessary to perfect the Grant of the System Restoration Bond Collateral to the Indenture Trustee and the Lien of this Indenture.

(6) Certificates of the Issuer and the Seller.

(a) An Officer's Certificate from the Issuer, dated as of the Closing Date:

(i) to the effect that (A) the Issuer is not in Default under this Indenture and that the issuance of the System Restoration Bonds will not result in any Default or in any breach of any of the terms, conditions or provisions of or constitute a default under the Financing Order or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it or its property is bound or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it or its property may be bound or to which it or its property may be subject and (B) that all conditions precedent provided in this Indenture relating to the execution, authentication and delivery of the System Restoration Bonds have been complied with;

(ii) to the effect that the Issuer has not assigned any interest or participation in the System Restoration Bond Collateral except for the Grant contained in the Indenture and the Series Supplement; the Issuer has the power and right to Grant the System Restoration Bond Collateral to the Indenture Trustee as security hereunder and thereunder; and the Issuer, subject to the terms of this Indenture, has Granted to the Indenture Trustee a first priority perfected security interest in all of its right, title and interest in and to such System Restoration Bond Collateral free and clear of any Lien, mortgage, pledge, charge, security interest, adverse claim or other encumbrance arising as a result of actions of the Issuer or through the Issuer, except Permitted Liens;

(iii) to the effect that the Issuer has appointed the firm of Independent registered public accountants as contemplated in Section 8.06;

(iv) to the effect that attached thereto are duly executed, true and complete copies of the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement, which are, to the knowledge of the Issuer, in full force and effect and, to the knowledge of the Issuer, that no party is in default of its obligations under such agreements; and

(v) stating that all filings with the PUCT, the Texas Secretary of State and the Delaware Secretary of State pursuant to the Securitization Law, the UCC and the Financing Order and all UCC financing statements with respect to the System Restoration Bond Collateral which are required to be filed by the terms of the Financing Order, the Securitization Law, the Sale Agreement, the Servicing Agreement and this Indenture have been filed as required.

(b) An officer's certificate from the Seller, dated as of the Closing Date, to the effect that, in the case of the Transition Property identified in the Bill of Sale, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement:

(i) the Seller was the original and the sole owner of such Transition Property, free and clear of any Lien; the Seller had not assigned any interest or participation in such Transition Property and the proceeds thereof other than to the Issuer pursuant to the Sale Agreement; the Seller has the power, authority and right to own, sell and assign such Transition Property and the proceeds thereof to the Issuer; and the Seller, subject to the terms of the Sale Agreement, has validly sold and assigned to the Issuer all of its right, title and interest in and to such Transition Property and the proceeds thereof, free and clear of any Lien (other than Permitted Liens) and such sale and assignment is absolute and irrevocable and has been perfected;

(ii) the attached copy of the Financing Order creating such Transition Property is true and complete and is in full force and effect; and

(iii) an amount equal to the Required Capital Level has been deposited or caused to be deposited by the Seller with the Indenture Trustee for crediting to the Capital Subaccount.

(7) Accountant's Certificate or Letter. One or more certificates or letters, addressed to the Issuer, of a firm of Independent registered public accountants of recognized national reputation to the effect that (a) such accountants are Independent with respect to the Issuer within the meaning of this Indenture, and are independent public accountants within the meaning of the standards of the Public Company Accounting Oversight Board, and (b) with respect to the System Restoration Bond Collateral, they have applied such procedures as instructed by the addressees of such certificate or letter.

(8) Rating Agency Condition. The Indenture Trustee shall receive evidence reasonably satisfactory to it that the System Restoration Bonds have received the ratings from the Rating Agencies required by the Underwriting Agreement as a condition to the issuance of the System Restoration Bonds.

(9) Requirements of Series Supplement. Such other funds, accounts, documents, certificates, agreements, instruments or opinions as may be required by the terms of the Series Supplement.

(10) Required Capital Level. Evidence satisfactory to the Indenture Trustee that the Required Capital Level has been credited to the Capital Subaccount.

(11) Other Requirements. Such other documents, certificates, agreements, instruments or opinions as the Underwriters may reasonably require.

SECTION 2.11. Book-Entry System Restoration Bonds. Unless the Series Supplement provides otherwise, all of the System Restoration Bonds shall be issued in Book-Entry Form, and the Issuer shall execute and the Indenture Trustee shall, in accordance with this Section 2.11 and the Issuer Order, authenticate and deliver one or more Global System Restoration Bonds, evidencing the System Restoration Bonds which (i) shall be an aggregate original principal amount equal to the aggregate original principal amount of the System Restoration Bonds to be issued pursuant to the Issuer Order, (ii) shall be registered in the name of the Clearing Agency therefor or its nominee, which shall initially be Cede & Co., as nominee for The Depository Trust Company, the initial Clearing Agency, (iii) shall be delivered by the Indenture Trustee pursuant to such Clearing Agency's or such nominee's instructions, and (iv) shall bear a legend substantially to the effect set forth in Exhibit A.

Each Clearing Agency designated pursuant to this Section 2.11 must, at the time of its designation and at all times while it serves as Clearing Agency hereunder, be a "clearing agency" registered under the Exchange Act and any other applicable statute or regulation.

No Holder of System Restoration Bonds issued in Book-Entry Form shall receive a Definitive System Restoration Bond representing such Holder's interest in any of the System Restoration Bonds, except as provided in Section 2.13. Unless (and until) certificated, fully registered System Restoration Bonds (the "Definitive System Restoration Bonds") have been issued to the Holders pursuant to Section 2.13 or pursuant to the Series Supplement relating thereto:

(a) the provisions of this Section 2.11 shall be in full force and effect;

(b) the Issuer, the Servicer, the Paying Agent, the System Restoration Bond Registrar and the Indenture Trustee may deal with the Clearing Agency for all purposes (including the making of distributions on the System Restoration Bonds and the giving of instructions or directions hereunder) as the authorized representative of the Holders;

(c) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Indenture, the provisions of this Section 2.11 shall control;

(d) the rights of Holders shall be exercised only through the Clearing Agency and the Clearing Agency Participants and shall be limited to those established by law and agreements between such Holders and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Letter of Representations, unless and until Definitive System Restoration Bonds are issued pursuant to Section 2.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the Book-Entry System Restoration Bonds to such Clearing Agency Participants; and

(e) whenever this Indenture requires or permits actions to be taken based upon instruction or directions of the Holders evidencing a specified percentage of the Outstanding Amount of System Restoration Bonds, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from the Holders and/or the Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in the System Restoration Bonds and has delivered such instructions to a Responsible Officer of the Indenture Trustee.

SECTION 2.12. Notices to Clearing Agency. Unless and until Definitive System Restoration Bonds shall have been issued to Holders pursuant to Section 2.13, whenever notice, payment, or other communications to the holders of Book-Entry System Restoration Bonds is required under this Indenture, the Indenture Trustee, the Servicer and the Paying Agent, as applicable, shall give all such notices and communications specified herein to be given to Holders to the Clearing Agency.

SECTION 2.13. Definitive System Restoration Bonds. If (a) (i) the Issuer advises the Indenture Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities under any Letter of Representations and (ii) the Issuer is unable to locate a qualified successor Clearing Agency, (b) the Issuer, at its option, advises the Indenture Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency or (c) after the occurrence of an Event of Default hereunder, Holders holding System Restoration Bonds aggregating not less than a majority of the aggregate Outstanding Amount of System Restoration Bonds maintained as Book-Entry System Restoration Bonds advise the Indenture Trustee, the Issuer and the Clearing Agency (through the Clearing Agency Participants) in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Holders, the Issuer shall notify the Clearing Agency, the Indenture Trustee and all such Holders in writing of the occurrence of any such event and of the availability of Definitive System Restoration Bonds to the Holders requesting the same. Upon surrender to the Indenture Trustee of the Global System Restoration Bonds by the Clearing Agency accompanied by registration instructions from such Clearing Agency for registration, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, Definitive System Restoration Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the System Restoration Bond Registrar, the Paying Agent or the Indenture Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions. Upon the issuance of Definitive System Restoration Bonds, the Indenture Trustee shall recognize the Holders of the Definitive System Restoration Bonds as Holders hereunder.

Definitive System Restoration Bonds will be transferable and exchangeable at the offices of the System Restoration Bonds Registrar. With respect to any transfer of such listed System Restoration Bonds, the new Definitive System Restoration Bonds registered in the names specified by the transferee and the original transferor shall be available at the offices of such transfer agent.

SECTION 2.14. CUSIP Number. The Issuer in issuing any System Restoration Bonds may use a "CUSIP" number and, if so used, the Indenture Trustee shall use the CUSIP number provided to it by the Issuer in any notices to the Holders thereof as a convenience to such Holders; provided, that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the System Restoration Bonds and that reliance may be placed only on the other identification numbers printed on the System Restoration Bonds. The Issuer shall promptly notify the Indenture Trustee in writing of any change in the CUSIP number with respect to any System Restoration Bond.

SECTION 2.15. Letter of Representations. Notwithstanding anything to the contrary in this Indenture or the Series Supplement, the parties hereto shall comply with the terms of each Letter of Representations applicable to such party.

SECTION 2.16. Tax Treatment. The Issuer and the Indenture Trustee, by entering into this Indenture, and the Holders and any Persons holding a beneficial interest in any System Restoration Bond, by acquiring any System Restoration Bond or interest therein, (a) express their intention that, solely for the purposes of federal taxes and, to the extent consistent with applicable State, local and other tax law, solely for the purposes of State, local and other taxes, the System Restoration Bonds qualify under applicable tax law as indebtedness of the Member secured by the System Restoration Bond Collateral and (b) solely for the purposes of federal taxes and, to the extent consistent with applicable State, local and other tax law, solely for purposes of State, local and other taxes, so long as any of the System Restoration Bonds are outstanding, agree to treat the System Restoration Bonds as indebtedness of the Member secured by the System Restoration Bond Collateral unless otherwise required by appropriate taxing authorities.

SECTION 2.17. State Pledge. System Restoration Bonds are "transition bonds" as such term is defined in the Securitization Law. Principal and interest due and payable on the System Restoration Bonds are payable from and secured primarily by Transition Property created and established by the Financing Order obtained from the Public Utility Commission of Texas pursuant to the Securitization Law. Transition Property consists of the rights and interests of the Seller in the relevant Financing Order, including the right to impose, collect and recover certain charges (defined in the Securitization Law as "transition charges", including such charges as set forth in Section 36.403(f)) to be included in regular electric utility bills of existing and future electric service customers within the service territory of AEP Texas Central Company, a Texas electric utility, or its successors or assigns, as more fully described in the Financing Order. Under the laws of the State of Texas in effect on the Closing Date, the State of Texas has agreed for the benefit of the Holders, pursuant to Section 39.310 and Section 36.403 of the Securitization Law, as follows:

> "Transition 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 electric utility, that it will not take or permit any action that would impair the value of transition property, or, except as permitted by Section 39.307, reduce, alter, or impair the transition 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 transition bonds have been paid and performed in full. Any party issuing transition bonds is authorized to include this pledge in any documentation relating to those bonds."

The Issuer hereby acknowledges that the purchase of any System Restoration Bond by a Holder or the purchase of any beneficial interest in a System Restoration Bond by any Person and the Indenture Trustee's obligations to perform hereunder are made in reliance on such agreement and pledge by the State of Texas.

SECTION 2.18. Security Interests. The Issuer hereby makes the following representations and warranties: (a) other than the security interests granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, granted, sold, conveyed or otherwise assigned any interests or security interests in the System Restoration Bond Collateral and no security agreement, financing statement or equivalent security or Lien instrument listing the Issuer as debtor covering all or any part of the System Restoration Bond Collateral is on file or of record in any jurisdiction, except such as may have been filed, recorded or made by the Issuer in favor of the Indenture Trustee on behalf of the Secured Parties in connection with this Indenture; (b) this Indenture constitutes a valid and continuing lien on, and first priority perfected security interest in, the System Restoration Bond Collateral in favor of the Indenture Trustee on behalf of the Secured Parties, which lien and security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally or by general equitable principles, whether considered in a proceeding at law or in equity and by an implied covenant of good faith and fair dealing; (c) with respect to all System Restoration Bond Collateral, this Indenture, together with the Series Supplement, creates a valid and continuing first priority perfected security interest (as defined in the UCC and as such term is used in the Securitization Law) in such System Restoration Bond Collateral, which security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally or by general equitable principles, whether considered in a proceeding at law or in equity and by an implied covenant of good faith and fair dealing; (d) the Issuer has good and marketable title to the System Restoration Bond Collateral free and clear of any Lien, claim or encumbrance of any Person other than Permitted Liens; (e) all of the System Restoration Bond Collateral constitutes either Transition Property or accounts, deposit accounts, investment property or general intangibles (as each such term is defined in the UCC) except that proceeds of the System Restoration Bond Collateral may also take the form of instruments or money; (f) the Issuer has taken, or caused the Servicer to take, all action necessary to perfect the security interest in the System Restoration Bond Collateral granted to the Indenture Trustee, for the benefit of the Secured Parties; (g) the Issuer has filed (or has caused the Servicer to file) all appropriate financing statements in the proper filing offices in the appropriate jurisdictions under applicable law in order to perfect the security interest in the System Restoration Bond Collateral granted to the Indenture Trustee; (h) the Issuer has not authorized the filing of and is not aware, after due inquiry, of any financing statements against the Issuer that include a description of the System Restoration Bond Collateral other than those filed in favor of the Indenture Trustee; (i) the Issuer is not aware of any judgment or tax Lien filings against the Issuer; (j) (1) the Collection Account (including all subaccounts thereof, other than the Cash Subaccount) constitutes a "securities account" within the meaning of the UCC and (2) the Cash Subaccount constitutes a "deposit account" within the meaning of the UCC; (k) the Issuer has taken all steps necessary to cause the Securities Intermediary of each such Securities Account to identify in its records the Indenture Trustee as the Person having a Security Entitlement against the Securities Intermediary in such Securities Account, no Collection Account is in the name of any Person other than the Indenture Trustee, and the Issuer has not consented to the Securities Intermediary of the Collection Account and the Indenture Trustee acting as "bank" with respect to the Cash Subaccount to comply with entitlement orders of any Person other than the Indenture Trustee; and (l) all of the System Restoration Bond Collateral constituting investment property has been and will have been credited to the Collection Account or a subaccount thereof, and the Securities Intermediary for the Collection Account has agreed to treat all assets credited to the Collection Account (other than cash) as Financial Assets and all cash will be allocated to the applicable Cash Subaccount. Accordingly, the Indenture Trustee has a first priority perfected security interest in the Collection Account, all funds and Financial Assets on deposit therein, and all securities entitlements relating thereto. The representations and warranties set forth in this Section 2.18 shall survive the execution and delivery of this Indenture and the issuance of any System Restoration Bonds, shall be deemed re-made on each date on which any funds in the Collection Account are distributed to Issuer or otherwise released from the Lien of the Indenture and may not be waived by any party hereto except pursuant to a supplemental indenture executed in accordance with Article IX and as to which the Rating Agency Condition has been satisfied.

ARTICLE III

COVENANTS

SECTION 3.01. Payment of Principal, Premium, if any, and Interest. The principal of and premium, if any, and interest on the System Restoration Bonds shall be duly and punctually paid by the Issuer, or the Servicer on behalf of the Issuer, in accordance with the terms of the System Restoration Bonds and this Indenture; provided that except on a Final Maturity Date or upon the acceleration of the System Restoration Bonds following the occurrence of an Event of Default, the Issuer shall only be obligated to pay the principal of the System Restoration Bonds on each Payment Date therefor to the extent moneys are available for such payment pursuant to Section 8.02. Amounts properly withheld under the Code or other tax laws by any Person from a payment to any Holder of interest or principal or premium, if any, shall be considered as having been paid by the Issuer to such Holder for all purposes of this Indenture.

SECTION 3.02. Maintenance of Office or Agency. The Issuer shall initially maintain in St. Paul, Minnesota, an office or agency where System Restoration Bonds may be surrendered for registration of transfer or exchange. The Issuer shall give prompt written notice to the Indenture Trustee of the location, and of any change in the location, of any such office or agency. The Issuer hereby initially appoints the Indenture Trustee to serve as its agent for the foregoing purposes and the Corporate Trust Office of the Indenture Trustee shall serve as the offices provided in the prior sentence. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Indenture Trustee with the address thereof, such surrenders may be made at the office of the Indenture Trustee located at the Corporate Trust Office, and the Issuer hereby appoints the Indenture Trustee as its agent to receive all such surrenders.

SECTION 3.03. Money for Payments To Be Held in Trust. As provided in Section 8.02(a), all payments of amounts due and payable with respect to any System Restoration Bonds that are to be made from amounts withdrawn from the Collection Account pursuant to Section 8.02(d) shall be made on behalf of the Issuer by the Indenture Trustee or by another Paying Agent, and no amounts so withdrawn from such Collection Account for payments with respect to any System Restoration Bonds shall be paid over to the Issuer except as provided in this Section 3.03 and Section 8.02.

Each Paying Agent shall meet the eligibility criteria set forth for any Indenture Trustee under Section 6.11. The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the System Restoration Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee and the Rating Agencies written notice of any Default by the Issuer of which it has actual knowledge (and if the Indenture Trustee is the Paying Agent, a Responsible Officer of the Paying Agent has actual knowledge) in the making of any payment required to be made with respect to the System Restoration Bonds;

(iii) at any time during the continuance of any such Default, upon the written request of the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately, with notice to the Rating Agencies, resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of System Restoration Bonds if at any time the Paying Agent determines that it has ceased to meet the standards required to be met by a Paying Agent at the time of such determination; and

(v) comply with all requirements of the Code and other tax laws with respect to the withholding from any payments made by it on any System Restoration Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any System Restoration Bond and remaining unclaimed for two (2) years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on an Issuer Request; and, subject to Section 10.16, the Holder of such System Restoration Bond shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer, cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to Holders whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Indenture Trustee or of any Paying Agent, at the last address of record for each such Holder).

SECTION 3.04. Existence. The Issuer shall keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the other Basic Documents, the System Restoration Bonds, the System Restoration Bond Collateral and each other instrument or agreement referenced herein or therein.

SECTION 3.05. Protection of System Restoration Bond Collateral. The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and all filings with the PUCT or the Texas Secretary of State pursuant to the Financing Order or to the Securitization Law and all financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action necessary or advisable to:

(i) maintain or preserve the Lien and security interest (and the priority thereof) of this Indenture and the Series Supplement or carry out more effectively the purposes hereof;

(ii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iii) enforce any of the System Restoration Bond Collateral;

(iv) preserve and defend title to the System Restoration Bond Collateral and the rights of the Indenture Trustee and the Holders in such System Restoration Bond Collateral against the Claims of all Persons and parties, including, without limitation, the challenge by any party to the validity or enforceability of the Financing Order, any Tariff, the Transition Property or any proceeding relating thereto and institute any action or proceeding necessary to compel performance by the PUCT or the State of Texas of any of its obligations or duties under the Securitization Law, the State Pledge, or the Financing Order or Tariff; or

(v) pay any and all taxes levied or assessed upon all or any part of the System Restoration Bond Collateral.

The Issuer hereby designates the Indenture Trustee its agent and attorney-in-fact to execute or authorize, as the case may be, any filings with the PUCT or the Texas Secretary of State, financing statements, continuation statements or other instrument required pursuant to this Section 3.05, it being understood that the Indenture Trustee shall have no such obligation or any duty to prepare or file such documents. The Indenture Trustee is specifically authorized to file financing statements covering the System Restoration Bond Collateral, including, without limitation, financing statements that describe the System Restoration Bond Collateral as “all assets” or “all personal property” of the Issuer.

SECTION 3.06. Opinions as to System Restoration Bond Collateral.

(a) On the Closing Date, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer either stating that, in the opinion of such counsel, such action has been taken with respect to the recording and filing of this Indenture, any indentures supplemental hereto, and any other requisite documents, and with respect to the execution and filing of any filings with the PUCT, the Delaware Secretary of State or the Texas Secretary of State pursuant to the Securitization Law and the Financing Order and any financing statements and continuation statements, as are necessary to perfect and make effective the Lien, and the perfected security interest created by this Indenture and the Series Supplement and reciting the details of such action and, based on a review of a current report of the appropriate governmental filing office, no other financing statement has been filed under the applicable Uniform Commercial Code, or stating that, in the opinion of such counsel, no such action is necessary to make effective such Lien and security interest.

(b) Within ninety (90) days after the beginning of each calendar year beginning with the calendar year beginning January 1, 2020, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer either stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents and with respect to the execution and filing of any filings with the PUCT, the Delaware Secretary of State or the Texas Secretary of State pursuant to the Securitization Law and the Financing Order and any financing statements and continuation statements as are necessary to maintain the Lien and the perfected security interest created by this Indenture and reciting the details of such action or stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien and security interest. Such Opinion of Counsel shall also describe the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents and the execution and filing of any filings with the PUCT, the Delaware Secretary of State or the Texas Secretary of State, financing statements and continuation statements that will, in the opinion of such counsel, be required within the twelve-month period following the date of such opinion to maintain the Lien and the perfected security interest created by this Indenture and the Series Supplement.

(c) Prior to the effectiveness of any amendment to the Sale Agreement, the Intercreditor Agreement or the Servicing Agreement, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer either (i) stating that, in the opinion of such counsel, all filings, including UCC financing statements and other filings with the PUCT, the Delaware Secretary of State and the Texas Secretary of State pursuant to the Securitization Law or the Financing Order, have been executed and filed that are necessary fully to maintain the Lien and security interest of the Issuer and the Indenture Trustee in the Transition Property and the System Restoration Bond Collateral, respectively, and the proceeds thereof, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (ii) stating that, in the opinion of such counsel, no such action shall be necessary to maintain such Lien and security interest.

SECTION 3.07. Performance of Obligations; Servicing; SEC Filings.

(a) The Issuer (i) shall diligently pursue any and all actions to enforce its rights under each instrument or agreement included in the System Restoration Bond Collateral and (ii) shall not take any action and shall use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in this Indenture, the Series Supplement, the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement or such other instrument or agreement.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee herein or in an Officer's Certificate shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer shall punctually perform and observe all of its obligations and agreements contained in this Indenture, the Series Supplement, the other Basic Documents and in the instruments and agreements included in the System Restoration Bond Collateral, including filing or causing to be filed all filings with the PUCT, the Delaware Secretary of State or the Texas Secretary of State pursuant to the Securitization Law or the Financing Order, all UCC financing statements and continuation statements required to be filed by it by the terms of this Indenture, the Series Supplement, the Sale Agreement and the Servicing Agreement in accordance with and within the time periods provided for herein and therein.

(d) If the Issuer shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement, the Issuer shall promptly give written notice thereof to the Indenture Trustee and the Rating Agencies, and shall specify in such notice the response or action, if any, the Issuer has taken or is taking with respect to such default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Transition Property, the System Restoration Bond Collateral or the System Restoration Charges, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) As promptly as possible after the giving of notice of termination to the Servicer and the Rating Agencies of the Servicer's rights and powers pursuant to Section 7.01 of the Servicing Agreement, the Indenture Trustee may and shall, at the written direction of the Holders evidencing not less than a majority of the Outstanding Amount of the System Restoration Bonds and subject to the terms of the Intercreditor Agreement, appoint a successor Servicer (the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Issuer and the Indenture Trustee. A Person shall qualify as a Successor Servicer only if such Person satisfies the requirements of the Servicing Agreement. If within thirty (30) days after the delivery of the notice referred to above, a new Servicer shall not have been appointed, the Indenture Trustee may petition the PUCT or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, AEP Texas may make such arrangements for the compensation of such Successor Servicer as it and such successor shall agree, subject to the limitations set forth in Section 8.02 and in the Servicing Agreement.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Indenture Trustee shall promptly notify the Issuer, the Holders and the Rating Agencies. As soon as a Successor Servicer is appointed, the Indenture Trustee shall notify the Issuer, the Holders and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Servicer.

(g) The Issuer shall (or shall cause the Depositor to) post on its website and, to the extent consistent with the Issuer's and the Depositor's obligations under applicable law, file with or furnish to the SEC in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, and shall direct the Indenture Trustee to post on its website for investors the following information (other than any such information filed with the SEC and publicly available to investors unless the Issuer specifically requests such items to be posted) with respect to the Outstanding System Restoration Bonds, in each case to the extent such information is reasonably available to the Issuer:

(i) the final Prospectus;

(ii) statements of any remittances of System Restoration Charges made to the Indenture Trustee (to be included in a Form 10-D or Form 10-K, or successor forms thereto);

(iii) 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 (to be included in a Form 10-D or Form 10-K, or successor forms thereto);

(iv) a statement showing the balance of Outstanding System Restoration Bonds that reflects the actual periodic payments made on the System Restoration Bonds during the applicable period (to be included in the next Form 10-D or Form 10-K filed, or successor forms thereto);

(v) the Servicer's Certificate as required to be submitted pursuant to the Servicing Agreement (to be filed with a Form 10-D, Form 10-K or Form 8-K, or successor forms thereto);

(vi) the Monthly Servicer's Certificate as required to be submitted pursuant to the Servicing Agreement;

(vii) the text (or a link to the website where a reader can find the text) of each filing of a True-Up Adjustment and the results of each such filing;

(viii) any change in the long-term or short-term credit ratings of the Servicer assigned by the Rating Agencies;

(ix) material legislative or regulatory developments directly relevant to the Outstanding System Restoration Bonds (to be filed or furnished in a Form 8-K);

(x) any reports and other information that the Issuer is required to file with the SEC under the Securities Exchange Act of 1934; and

(xi) a quarterly statement either affirming that, to the Issuer's or the Depositor's knowledge, as applicable, in all material respects, for each materially significant REP (to be included in each Form 10-D and each Form 10-K, or successor forms thereto) (A) each such REP has been billed in compliance with the requirements outlined in the Financing Order, (B) each such REP has made payments in compliance with the requirements outlined in the Financing Order, and (C) each such REP satisfies the creditworthiness requirements of the Financing Order, or if clauses (A), (B) and (C) have not occurred, such quarterly statements shall describe the Servicer's actions.

Notwithstanding the foregoing, nothing herein shall preclude the Issuer from voluntarily suspending or terminating its filing obligations as Issuer with the SEC to the extent permitted by applicable law.

The address of the Indenture Trustee's website for investors is https://pivot.usbank.com. The Indenture Trustee shall promptly notify the Issuer, the Bondholders and the Rating Agencies of any change to the address of the website for investors.

(h) The Issuer shall make all filings required under the Securitization Law relating to the transfer of the ownership or security interest in the Transition Property other than those required to be made by the Seller or the Servicer pursuant to the Basic Documents.

SECTION 3.08. Certain Negative Covenants. So long as any System Restoration Bonds are Outstanding, the Issuer shall not:

(i) except as expressly permitted by this Indenture and the other Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in the System Restoration Bond Collateral, unless directed to do so by the Indenture Trustee in accordance with Article V;

(ii) claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the System Restoration Bonds (other than amounts properly withheld from such payments under the Code or other tax laws) or assert any claim against any present or former Holder by reason of the payment of the taxes levied or assessed upon any part of the System Restoration Bond Collateral;

(iii) terminate its existence or dissolve or liquidate in whole or in part, except in a transaction permitted by Section 3.10;

(iv) (A) permit the validity or effectiveness of this Indenture or the other Basic Documents to be impaired, or permit the Lien of this 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 System Restoration Bonds under this Indenture except as may be expressly permitted hereby, (B) permit any Lien (other than the Lien of this Indenture or the Series Supplement) to be created on or extend to or otherwise arise upon or burden the System Restoration Bond 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) or (C) permit the Lien of the Series Supplement not to constitute a valid first priority perfected security interest in the System Restoration Bond Collateral;

(v) enter into any swap, hedge or similar financial instrument;

(vi) elect to be classified as an association taxable as a corporation for federal income tax purposes or otherwise take any action, file any tax return, or make any election inconsistent with the treatment of the Issuer, for purposes of federal taxes 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 sole owner of the Issuer;

(vii) change its name, identity or structure or the location of its chief executive office, unless at least ten (10) Business Days' prior to the effective date of any such change the Issuer delivers to the Indenture Trustee (with copies to the Rating Agencies) such documents, instruments or agreements, executed by the Issuer, as are necessary to reflect such change and to continue the perfection of the security interest of this Indenture and the Series Supplement;

(viii) take any action which is subject to a Rating Agency Condition without satisfying the Rating Agency Condition;

(ix) except to the extent permitted by applicable law, voluntarily suspend or terminate its filing obligations with the SEC as described in Section 3.07(g); or

(x) issue any transition bonds under the Securitization Law or any similar law (other than the System Restoration Bonds).

SECTION 3.09. Annual Statement as to Compliance. The Issuer will deliver to the Indenture Trustee and the Rating Agencies not later than March 31 of each year (commencing with March 31, 2020), an Officer's Certificate stating, as to the Responsible Officer signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during the preceding twelve (12) months ended December 31 (or, in the case of the first such Officer's Certificate, since the Closing Date) and of performance under this Indenture has been made; and

(ii) to the best of such Responsible Officer's knowledge, based on such review, the Issuer has in all material respects complied with all conditions and covenants under this Indenture throughout such twelve-month period (or such shorter period in the case of the first such Officer's Certificate), or, if there has been a default in the compliance of any such condition or covenant, specifying each such default known to such Responsible Officer and the nature and status thereof.

SECTION 3.10. Issuer May Consolidate, etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person, unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger shall (A) be a Person organized and existing under the laws of the United States of America or any State, (B) expressly assume, by an indenture supplemental hereto, executed and delivered to the Indenture Trustee, in form and substance satisfactory to the Indenture Trustee, the performance or observance of every agreement and covenant of this Indenture and the Series Supplement on the part of the Issuer to be performed or observed, all as provided herein and in the Series Supplement, and (C) assume all obligations and succeed to all rights of the Issuer under the Sale Agreement, the Servicing Agreement and each other Basic Document to which the Issuer is a party;

(ii) immediately after giving effect to such merger or consolidation, no Default, Event of Default or Servicer Default shall have occurred and be continuing;

(iii) the Rating Agency Condition shall have been satisfied with respect to such merger or consolidation;

(iv) the Issuer shall have delivered to AEP Texas, the Indenture Trustee and the Rating Agencies an opinion or opinions of outside tax counsel (as selected by the Issuer, in form and substance reasonably satisfactory to AEP Texas and the Indenture Trustee, and which may be based on a ruling from the Internal Revenue Service (unless the Internal Revenue Service has announced that it will not rule on the issues described in this paragraph)) to the effect that the consolidation or merger will not result in a material adverse federal or State income tax consequence to the Issuer, AEP Texas, the Indenture Trustee or the then existing Bondholders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the System Restoration Bond Collateral created by this Indenture and the Series Supplement shall have been taken as evidenced by an Opinion of Counsel of external counsel of the Issuer delivered to the Indenture Trustee; and

(vi) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel of external counsel of the Issuer each stating that such consolidation or merger and such supplemental indenture comply with this Indenture, the Series Supplement and that all conditions precedent herein provided for in this Section 3.10(a) with respect to such transaction have been complied with (including any filing required by the Exchange Act).

(b) Except as specifically provided herein, the Issuer shall not sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the System Restoration Bond Collateral, to any Person, unless:

(i) the Person that acquires the properties and assets of the Issuer, the conveyance or transfer of which is hereby restricted (A) shall be a United States citizen or a Person organized and existing under the laws of the United States of America or any State, (B) expressly assumes, by an indenture supplemental hereto, executed and delivered to the Indenture Trustee, in form and substance satisfactory to the Indenture Trustee, the performance or observance of every agreement and covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein and in the Series Supplement, (C) expressly agrees by means of such supplemental indenture that all right, title and interest so sold, conveyed, exchanged, transferred or otherwise disposed of shall be subject and subordinate to the rights of Holders, (D) unless otherwise provided in the supplemental indenture referred to in clause (B) above, expressly agrees to indemnify, defend and hold harmless the Issuer and the Indenture Trustee against and from any loss, liability or expense arising under or related to this Indenture, the Series Supplement and the System Restoration Bonds (including the enforcement costs of such indemnity), (E) expressly agrees by means of such supplemental indenture that such Person (or if a group of Persons, then one specified Person) shall make all filings with the SEC (and any other appropriate Person) required by the Exchange Act in connection with the System Restoration Bonds and (F) if such sale, conveyance, exchange, transfer or disposal relates to the Issuer's rights and obligations under the Sale Agreement or the Servicing Agreement, assumes all obligations and succeeds to all rights of the Issuer under the Sale Agreement and the Servicing Agreement, as applicable;

(ii) immediately after giving effect to such transaction, no Default, Event of Default or Servicer Default shall have occurred and be continuing;

(iii) the Rating Agency Condition shall have been satisfied with respect to such transaction;

(iv) the Issuer shall have delivered to AEP Texas, the Indenture Trustee and the Rating Agencies an opinion or opinions of outside tax counsel (as selected by the Issuer, in form and substance reasonably satisfactory to AEP Texas and the Indenture Trustee, and which may be based on a ruling from the Internal Revenue Service) to the effect that the disposition will not result in a material adverse federal or State income tax consequence to the Issuer, AEP Texas, the Indenture Trustee or the then existing Bondholders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the System Restoration Bond Collateral created by this Indenture and the Series Supplement shall have been taken as evidenced by an Opinion of Counsel of external counsel of the Issuer delivered to the Indenture Trustee; and

(vi) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel of external counsel of the Issuer each stating that such sale, conveyance, exchange, transfer or other disposition and such supplemental indenture comply with this Indenture and the Series Supplement and that all conditions precedent herein provided for in this Section 3.10(b) with respect to such transaction have been complied with (including any filing required by the Exchange Act).

SECTION 3.11. Successor or Transferee.

(a) Upon any consolidation or merger of the Issuer in accordance with Section 3.10(a), the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Except as set forth in Section 6.07, upon a sale, conveyance, exchange, transfer or other disposition of all the assets and properties of the Issuer in accordance with Section 3.10(b), the Issuer will be released from every covenant and agreement of this Indenture and the other Basic Documents to be observed or performed on the part of the Issuer with respect to the System Restoration Bonds and the Transition Property immediately following the consummation of such acquisition upon the delivery of written notice to the Indenture Trustee from the Person acquiring such assets and properties stating that the Issuer is to be so released.

SECTION 3.12. No Other Business. The Issuer shall not engage in any business other than financing, purchasing, owning and managing the Transition Property and the other System Restoration Bond Collateral and the issuance of the System Restoration Bonds in the manner contemplated by the Financing Order and this Indenture and the Basic Documents and activities incidental thereto.

SECTION 3.13. No Borrowing. The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the System Restoration Bonds and any other indebtedness expressly permitted by or arising under the Basic Documents.

SECTION 3.14. Servicer's Obligations. The Issuer shall enforce the Servicer's compliance with and performance of all of the Servicer's material obligations under the Servicing Agreement.

SECTION 3.15. Guarantees, Loans, Advances and Other Liabilities. Except as otherwise contemplated by the Sale Agreement, the Servicing Agreement or this Indenture, the Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, 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.

SECTION 3.16. Capital Expenditures. Other than the purchase of Transition Property from the Seller on each Closing Date, the Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

SECTION 3.17. Restricted Payments. Except as provided in Section 8.04(c), the Issuer shall not, directly or indirectly, (a) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of an interest in the Issuer or otherwise with respect to any ownership or equity interest or similar security in or of the Issuer, (b) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or similar security or (c) set aside or otherwise segregate any amounts for any such purpose; provided, however, that, if no Event of Default shall have occurred and be continuing or would be caused thereby, the Issuer may make, or cause to be made, any such distributions to any owner of an interest in the Issuer or otherwise with respect to any ownership or equity interest or similar security in or of the Issuer using funds distributed to the Issuer pursuant to Section 8.02(e)(xi) to the extent that such distributions would not cause the balance of the Capital Subaccount to decline below the Required Capital Level. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with this Indenture and the other Basic Documents.

SECTION 3.18. Notice of Events of Default. The Issuer agrees to give the Indenture Trustee, the PUCT and the Rating Agencies prompt written notice of each Default or Event of Default hereunder as provided in Section 5.01, and each default on the part of the Seller or the Servicer of its obligations under the Sale Agreement or the Servicing Agreement, respectively.

SECTION 3.19. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture and to maintain the first priority perfected security interest of the Indenture Trustee in the System Restoration Bond Collateral.

SECTION 3.20. [Reserved].

SECTION 3.21. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited annually by Independent registered public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and Independent registered public accountants, all at such reasonable times and as often as may be reasonably requested. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder. Notwithstanding anything herein to the contrary, the preceding sentence shall not be construed to prohibit (a) disclosure of any and all information that is or becomes publicly known, or information obtained by the Indenture Trustee from sources other than the Issuer, provided such parties are rightfully in possession of such information, (b) disclosure of any and all information (i) if required to do so by any applicable statute, law, rule or regulation, (ii) pursuant to any subpoena, civil investigative demand or similar demand or request of any court or regulatory authority exercising its proper jurisdiction, (iii) in any preliminary or final prospectus, registration statement or other document a copy of which has been filed with the SEC, (iv) to any Affiliate, independent or internal auditor, agent, employee or attorney of the Indenture Trustee having a need to know the same, provided that such parties agree to be bound by the confidentiality provisions contained in this Section 3.21 or (v) to any Rating Agency or (c) any other disclosure authorized by the Issuer.

SECTION 3.22. Sale Agreement, Servicing Agreement, Administration Agreement and Intercreditor Agreement Covenants.

(a) The Issuer agrees to take all such lawful actions to enforce its rights under the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement and to compel or secure the performance and observance by the Seller, the Servicer, the Administrator and AEP Texas of each of their respective obligations to the Issuer under or in connection with the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement in accordance with the terms thereof. So long as no Event of Default occurs and is continuing, but subject to Section 3.22(f), the Issuer may exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement; provided that such action shall not adversely affect the interests of the Holders in any material respect.

(b) If an Event of Default occurs and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing) of Holders of a majority of the Outstanding Amount of the System Restoration Bonds of all Tranches affected thereby shall, exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, AEP Texas, the Administrator and the Servicer, as the case may be, under or in connection with the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement, including the right or power to take any action to compel or secure performance or observance by the Seller, AEP Texas, the Administrator or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement, and any right of the Issuer to take such action shall be suspended.

(c) Except as set forth in Section 3.22(e), with the prior written consent of the Indenture Trustee (subject to the delivery of the Opinion of Counsel set forth below) and the consent of the PUCT pursuant to Section 9.03, the Administration Agreement, the Sale Agreement, the Intercreditor Agreement (except that any amendment to the Intercreditor Agreement shall not require the consent of the PUCT) and the Servicing Agreement may be amended in accordance with the provisions thereof, 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 the System Restoration Bonds; provided that all conditions precedent for such amendment have been satisfied and such amendment is authorized and permitted by the terms of such agreement, as evidenced by an Opinion of Counsel of external counsel of the Issuer. Notwithstanding the foregoing, the Sale Agreement, the Administration Agreement and the Servicing Agreement may be amended in accordance with the provisions thereof with ten (10) Business Days' prior written notice given to the Rating Agencies, the prior written consent of the Indenture Trustee (except that any amendment to the Administration Agreement or the Sale Agreement shall not require the consent of the Indenture Trustee) and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT, but without the consent of the Holders, (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; provided, however, that such action shall not adversely affect in any material respect the interests of any Holder or (ii) to conform the provisions of the applicable agreement to the description of such agreement in the Prospectus. In the case of an amendment described in the preceding sentence, the Issuer shall furnish copies of such amendment to the Rating Agencies promptly after execution thereof.

(d) Except as set forth in Section 3.22(e), if the Issuer, the Seller, AEP Texas, the Administrator, the Servicer or any other party to the respective agreement proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination or surrender of, the terms of the Sale Agreement, the Intercreditor Agreement, the Administration Agreement, or the Servicing Agreement, or waive timely performance or observance by the Seller, AEP Texas, the Administrator or the Servicer under the Sale Agreement, the Intercreditor Agreement, the Administration Agreement or the Servicing Agreement, in each case in such a way as would materially and adversely affect the interests of any Holder of System Restoration Bonds, the Issuer shall first notify the Rating Agencies of the proposed amendment, modification, waiver, supplement, termination or surrender and shall promptly notify the Indenture Trustee and the PUCT in writing and the Indenture Trustee shall notify the Holders of the System Restoration Bonds of the proposed amendment, modification, waiver, supplement, termination or surrender and whether the Rating Agency Condition has been satisfied with respect thereto. The Indenture Trustee shall consent to such proposed amendment, modification, waiver, supplement, termination or surrender only if the Rating Agency Condition is satisfied and only with the prior written consent of the Holders of a majority of the Outstanding Amount of System Restoration Bonds of the Tranches materially and adversely affected thereby and, if the proposed amendment, modification, waiver, supplement, termination or surrender, other than with respect to the Intercreditor Agreement, would increase ongoing Qualified Costs as defined in the Financing Order, the consent of the PUCT pursuant to Section 9.03. If any such amendment, modification, waiver, supplement, termination or surrender shall be so consented to by the Indenture Trustee or such Holders, the Issuer agrees to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as shall be necessary or appropriate in the circumstances.

(e) If the Issuer or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender, or to agree to any amendment, modification, supplement, termination, waiver or surrender of, the process for True-Up Adjustments, the Issuer shall notify the PUCT and the Indenture Trustee in writing and the Indenture Trustee shall notify the Holders of the System Restoration Bonds of such proposal and the Indenture Trustee shall consent thereto only with the consent of the PUCT pursuant to Section 9.03 and the prior written consent of the Holders of a majority of the Outstanding Amount of System Restoration Bonds of the Tranches affected thereby and only if the Rating Agency Condition has been satisfied with respect thereto.

(f) Promptly following a default by the Seller under the Sale Agreement, by the Administrator under the Administration Agreement, by AEP Texas or any successor to AEP Texas under the Intercreditor Agreement or the occurrence of a Servicer Default under the Servicing Agreement, and at the Issuer's expense, the Issuer agrees to take all such lawful actions as the Indenture Trustee may request to compel or secure the performance and observance by each of the Seller, AEP Texas, the Administrator or the Servicer of their obligations under and in accordance with the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement, as the case may be, in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with such agreements to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of any default by the Seller, AEP Texas, the Administrator or the Servicer, respectively, thereunder and the institution of legal or administrative actions or Proceedings to compel or secure performance of their obligations under the Sale Agreement, the Servicing Agreement, the Administration Agreement or the Intercreditor Agreement, as applicable.

Before consenting to any amendment, modification, supplement, termination, waiver or surrender under Sections 3.22(d) or (e), the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Opinion of Counsel stating that such action is authorized or permitted by this Indenture and all conditions precedent to such amendment have been satisfied.

SECTION 3.23. Taxes. So long as any of the System Restoration Bonds are Outstanding, the Issuer shall pay all 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 thereon 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 System Restoration Bond Collateral; provided that no such tax need be paid if the Issuer is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Issuer has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

ARTICLE IV

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 4.01. Satisfaction and Discharge of Indenture; Defeasance.

(a) This Indenture shall cease to be of further effect with respect to the System Restoration Bonds and the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the System Restoration Bonds, when:

(i) either

(A) all System Restoration Bonds theretofore authenticated and delivered (other than (1) System Restoration Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (2) System Restoration Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in the last paragraph of Section 3.03) have been delivered to the Indenture Trustee for cancellation; or

(B) either (1) the Scheduled Final Payment Date has occurred with respect to all System Restoration Bonds not theretofore delivered to the Indenture Trustee for cancellation or (2) the System Restoration Bonds will be due and payable on their respective Scheduled Final Payment Dates within one year, and in any such case, the Issuer has irrevocably deposited or caused to be irrevocably deposited in trust with the Indenture Trustee (i) cash and/or (ii) U.S. Government Obligations which through the scheduled payments of principal and interest in respect thereof in accordance with their terms are in an amount sufficient to pay principal, interest and premium, if any, on the System Restoration Bonds not theretofore delivered to the Indenture Trustee for cancellation and all other sums payable hereunder by the Issuer with respect to the System Restoration Bonds when scheduled to be paid and to discharge the entire indebtedness on the System Restoration Bonds when due;

(ii) the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(iii) the Issuer has delivered to the Indenture Trustee an Officer's Certificate, an Opinion of Counsel of external counsel of the Issuer and (if required by the TIA or the Indenture Trustee) an Independent Certificate from a firm of registered public accountants, each meeting the applicable requirements of Section 10.01(a) and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to System Restoration Bonds have been complied with.

(b) Subject to Sections 4.01(c) and 4.02, the Issuer at any time may terminate (i) all its obligations under this Indenture with respect to the System Restoration Bonds ("Legal Defeasance Option") or (ii) its obligations under Sections 3.04, 3.05, 3.06, 3.07, 3.08, 3.09, 3.10, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18 and 3.19 and the operation of Section 5.01(iii) ("Covenant Defeasance Option") with respect to System Restoration Bonds. The Issuer may exercise the Legal Defeasance Option with respect to System Restoration Bonds notwithstanding its prior exercise of the Covenant Defeasance Option.

If the Issuer exercises the Legal Defeasance Option, the maturity of the System Restoration Bonds may not be accelerated because of an Event of Default. If the Issuer exercises the Covenant Defeasance Option, the maturity of the System Restoration Bonds may not be accelerated because of an Event of Default specified in Section 5.01(iii).

Upon satisfaction of the conditions set forth herein to the exercise of the Legal Defeasance Option or the Covenant Defeasance Option with respect to System Restoration Bonds, the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

(c) Notwithstanding Sections 4.01(a) and 4.01(b) above, (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen System Restoration Bonds, (iii) rights of Holders to receive payments of principal, premium, if any, and interest, (iv) Sections 4.03 and 4.04, (v) the rights, obligations and immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 and the obligations of the Indenture Trustee under Section 4.03) and (vi) the rights of Holders as beneficiaries hereof with respect to the property deposited with the Indenture Trustee payable to all or any of them, shall survive until this Indenture or certain obligations hereunder have been satisfied and discharged pursuant to Section 4.01(a) or 4.01(b) have been paid in full. Thereafter the obligations in Sections 6.07 and 4.04 shall survive.

SECTION 4.02. Conditions to Defeasance. The Issuer may exercise the Legal Defeasance Option or the Covenant Defeasance Option with respect to System Restoration Bonds only if:

(a) the Issuer has irrevocably deposited or caused to be irrevocably deposited in trust with the Indenture Trustee (i) cash and/or (ii) U.S. Government Obligations which through the scheduled payments of principal and interest in respect thereof in accordance with their terms are in an amount sufficient to pay principal, interest and premium, if any, on the System Restoration Bonds not therefore delivered to the Indenture Trustee for cancellation and all other sums payable hereunder by the Issuer with respect to the System Restoration Bonds when scheduled to be paid and to discharge the entire indebtedness on the System Restoration Bonds when due;

(b) the Issuer delivers to the Indenture Trustee a certificate from a nationally recognized firm of Independent registered public accountants expressing its opinion that the payments of principal and interest when due and without reinvestment of the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the System Restoration Bonds (i) principal in accordance with the Expected Amortization Schedule therefor, (ii) interest when due and (iii) all other sums payable hereunder by the Issuer with respect to the System Restoration Bonds;

(c) 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 specified in Section 5.01(v) or (vi) occurs which is continuing at the end of the period;

(d) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(e) in the case of an exercise of the Legal Defeasance Option, the Issuer shall have delivered to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer stating that (i) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the System Restoration Bonds will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance 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 such legal defeasance had not occurred;

(f) in the case of an exercise of the Covenant Defeasance Option, the Issuer shall have delivered to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer to the effect that the Holders of the System Restoration Bonds will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance 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 such covenant defeasance had not occurred;

(g) the Issuer delivers to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel of external counsel to the Issuer, each stating that all conditions precedent to the satisfaction and discharge of the System Restoration Bonds to the extent contemplated by this Article IV have been complied with;

(h) the Issuer delivers to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer to the effect that (i) in a case under the Bankruptcy Code in which AEP Texas (or any of its Affiliates, other than the Issuer) is the debtor, the court would hold that the deposited moneys or U.S. Government Obligations would not be in the bankruptcy estate of AEP Texas (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations); and (ii) in the event AEP Texas (or any of its Affiliates, other than the Issuer, that deposited the moneys 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 AEP Texas (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations) and the Issuer so as to order substantive consolidation under the Bankruptcy Code of the Issuer's assets and liabilities with the assets and liabilities of AEP Texas or such other Affiliate; and

(i) the Rating Agency Condition shall have been satisfied with respect to the exercise of any Legal Defeasance Option or Covenant Defeasance Option.

Notwithstanding any other provision of this Section 4.02, no delivery of moneys or U.S. Government Obligations to the Indenture Trustee shall terminate any obligation of the Issuer to the Indenture Trustee under this Indenture or the Series Supplement or any obligation of the Issuer to apply such moneys or U.S. Government Obligations under Section 4.03 until principal of and premium, if any, and interest on the System Restoration Bonds shall have been paid in accordance with the provisions of this Indenture and the Series Supplement.

SECTION 4.03. Application of Trust Money. All moneys or U.S. Government Obligations deposited with the Indenture Trustee pursuant to Section 4.01 or 4.02 shall be held in trust and applied by it, in accordance with the provisions of the System Restoration Bonds and this Indenture, to the payment, either directly or through any Paying Agent, as the Indenture Trustee may determine, to the Holders of the particular System Restoration Bonds for the payment of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Servicing Agreement or required by law. Notwithstanding anything to the contrary in this Article IV, the Indenture Trustee shall deliver or pay to the Issuer from time to time upon Issuer Request any moneys or U.S. Government Obligations held by it pursuant to Section 4.02 which, in the opinion of a nationally recognized firm of Independent registered public accountants expressed in a written certification thereof delivered to the Indenture Trustee (and not at the cost or expense of the Indenture Trustee), are in excess of the amount thereof which would be required to be deposited for the purpose for which such moneys or U.S. Government Obligations were deposited, provided that any such payment shall be subject to the satisfaction of the Rating Agency Condition.

SECTION 4.04. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture or the Covenant Defeasance Option or Legal Defeasance Option with respect to the System Restoration Bonds, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture or the Intercreditor Agreement with respect to the System Restoration Bonds shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

SECTION 5.01. Events of Default. "Event of Default" wherever used herein, means any one or more of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any interest on any System Restoration Bond when the same becomes due and payable (whether such failure to pay interest is caused by a shortfall in System Restoration Charges received or otherwise), and such default shall continue for a period of five (5) Business Days; or

(ii) default in the payment of the then unpaid principal of any System Restoration Bond of any Tranche on the Final Maturity Date for such Tranche; or

(iii) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than defaults specified in clauses (i) or (ii) above), and such default shall continue or not be cured, for a period of thirty (30) days after the earlier of (A) the date that there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least 25 percent of the Outstanding Amount of the System Restoration Bonds, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (B) the date that the Issuer has actual knowledge of the default; or

(iv) any representation or warranty of the Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and the circumstance or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, within thirty (30) days after the earlier of (A) the date that there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least 25 percent of the Outstanding Amount of the System Restoration Bonds, a written notice specifying such incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (B) the date the Issuer has actual knowledge of the default, or

(v) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the System Restoration Bond Collateral in an involuntary case or proceeding under any applicable federal or State bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the System Restoration Bond Collateral, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of ninety (90) consecutive days; or

(vi) the commencement by the Issuer of a voluntary case under any applicable federal or State bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case or proceeding under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the System Restoration Bond Collateral, or the making by the Issuer of any general assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing; or

(vii) any act or failure to act by the State of Texas or any of its agencies (including the PUCT), officers or employees which violates or is not in accordance with the State Pledge.

The Issuer shall deliver to a Responsible Officer of the Indenture Trustee and to the Rating Agencies, within five (5) days after a Responsible Officer of the Issuer has knowledge of the occurrence thereof, written notice in the form of an Officer's Certificate of any event (I) which is an Event of Default under clauses (i), (ii), (v), (vi) or (vii) or (II) which with the giving of notice, the lapse of time, or both, would become an Event of Default under clause (ii), (iii) or (iv), including, in each case, the status of such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

SECTION 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default (other than an Event of Default under clause (vii) of Section 5.01) should occur and be continuing, then and in every such case the Indenture Trustee or the Holders representing not less than a majority of the Outstanding Amount of the System Restoration Bonds may declare the System Restoration Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by Holders), and upon any such declaration the unpaid principal amount of the System Restoration Bonds, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Holders representing not less than a majority of the Outstanding Amount of the System Restoration Bonds, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(A) all payments of principal of and premium, if any, and interest on all System Restoration Bonds due and owing at such time as if such Event of Default had not occurred and was not continuing and all other amounts that would then be due hereunder or upon the System Restoration Bonds if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the System Restoration Bonds that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

SECTION 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) If an Event of Default under Section 5.01(i) or (ii) has occurred and is continuing, subject to Section 10.19, the Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and, subject to the limitations on recourse set forth herein, may enforce the same against the Issuer or other obligor upon the System Restoration Bonds and collect in the manner provided by law out of the property of the Issuer or other obligor upon the System Restoration Bonds, wherever situated the moneys payable, or the System Restoration Bond Collateral and the proceeds thereof, the whole amount then due and payable on the System Restoration Bonds for principal, premium, if any, and interest, with interest upon the overdue principal and premium, if any, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the respective rate borne by the System Restoration Bonds or the applicable Tranche and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) If an Event of Default (other than Event of Default under clause (vii) of Section 5.01) occurs and is continuing, the Indenture Trustee shall, as more particularly provided in Section 5.04, proceed to protect and enforce its rights and the rights of the Holders, by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture and the Series Supplement or by law, including foreclosing or otherwise enforcing the Lien of the System Restoration Bond Collateral securing the System Restoration Bonds or applying to a court of competent jurisdiction for sequestration of revenues arising with respect to the Transition Property.

(c) If an Event of Default under Section 5.01(v) or (vi) has occurred and is continuing, the Indenture Trustee, irrespective of whether the principal of any System Restoration Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered, by intervention in any Proceedings related to such Event of Default or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the System Restoration Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Holders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee in bankruptcy, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Holders and of the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Holders allowed in any judicial proceeding relative to the Issuer, its creditors and its property.

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Holders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Holders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(d) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the System Restoration Bonds or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Holder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(e) All rights of action and of asserting claims under this Indenture, or under any of the System Restoration Bonds, may be enforced by the Indenture Trustee without the possession of any of the System Restoration Bonds or the production thereof in any trial or other Proceedings relative thereto, and any such action or proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the System Restoration Bonds.

(f) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Holders of the System Restoration Bonds, and it shall not be necessary to make any Holder a party to any such Proceedings.

SECTION 5.04. Remedies; Priorities.

(a) If an Event of Default (other than an Event of Default under clause (vii) of Section 5.01) shall have occurred and be continuing, the Indenture Trustee may do one or more of the following (subject to Section 5.05):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the System Restoration Bonds or under this Indenture with respect thereto, whether by declaration of acceleration or otherwise, and, subject to the limitations on recovery set forth herein, enforce any judgment obtained, and collect from the Issuer or any other obligor moneys adjudged due upon the System Restoration Bonds;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the System Restoration Bond Collateral;

(iii) exercise any remedies of a secured party under the UCC, the Securitization Law or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee and the Holders of the System Restoration Bonds;

(iv) at the written direction of the Holders of a majority of the Outstanding Amount of the System Restoration Bonds, sell the System Restoration Bond Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law, or elect that the Issuer maintain possession of all or a portion of the System Restoration Bond Collateral pursuant to Section 5.05 and continue to apply the System Restoration Bond Charge Collection as if there had been no declaration of acceleration; and

(v) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Administrator, AEP Texas or the Servicer under or in connection with, and pursuant to the terms of, the Sale Agreement, the Administration Agreement, the Intercreditor Agreement or the Servicing Agreement;

provided, however, that the Indenture Trustee may not sell or otherwise liquidate any portion of the System Restoration Bond Collateral following such an Event of Default, other than an Event of Default described in Section 5.01(i), or (ii), unless (A) the Holders of 100 percent of the Outstanding Amount of the System Restoration Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Holders are sufficient to discharge in full all amounts then due and unpaid upon the System Restoration Bonds for principal, premium, if any, and interest after taking into account payment of all amounts due prior thereto pursuant to the priorities set forth in Section 8.02(e) or (C) the Indenture Trustee determines that the System Restoration Bond Collateral will not continue to provide sufficient funds for all payments on the System Restoration Bonds as they would have become due if the System Restoration Bonds had not been declared due and payable, and the Indenture Trustee obtains the written consent of Holders of 66-2/3 percent of the Outstanding Amount of the System Restoration Bonds. In determining such sufficiency or insufficiency with respect to clause (B) and (C), the Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the System Restoration Bond Collateral for such purpose.

(b) If an Event of Default under clause (vii) of Section 5.01 shall have occurred and be continuing, the Indenture Trustee, for the benefit of the Secured Parties, shall be entitled and empowered to the extent permitted by applicable law, to institute or participate in Proceedings necessary to compel performance of or to enforce the State Pledge and to collect any monetary damages incurred by the Holders or the Indenture Trustee as a result of any such Event of Default, and may prosecute any such Proceeding to final judgment or decree. Such remedy shall be the only remedy that the Indenture Trustee may exercise if the only Event of Default that has occurred and is continuing is an Event of Default under Section 5.01(vii).

(c) If the Indenture Trustee collects any money pursuant to this Article V, it shall pay out such money in accordance with the priorities set forth in Section 8.02(e).

SECTION 5.05. Optional Preservation of the System Restoration Bond Collateral. If the System Restoration Bonds have been declared to be due and payable under Section 5.02 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of all or a portion of the System Restoration Bond Collateral. It is the desire of the parties hereto and the Holders that there be at all times sufficient funds for the payment of principal of and premium, if any, and interest on the System Restoration Bonds, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the System Restoration Bond Collateral. In determining whether to maintain possession of the System Restoration Bond Collateral or sell or liquidate the same, the Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the System Restoration Bond Collateral for such purpose.

SECTION 5.06. Limitation of Suits. No Holder of any System Restoration Bond shall have any right to institute any Proceeding, judicial or otherwise, to avail itself of any remedies provided in the Securitization Law or to avail itself of the right to foreclose on the System Restoration Bond Collateral or otherwise enforce the Lien and the security interest on the System Restoration Bond Collateral with respect to this Indenture and the Series Supplement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Holder previously has given written notice to the Indenture Trustee of a continuing Event of Default;

(ii) the Holders of not less than a majority of the Outstanding Amount of the System Restoration Bonds have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(iii) such Holder or Holders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request;

(iv) the Indenture Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and

(v) no direction inconsistent with such written request has been given to the Indenture Trustee during such sixty-day period by the Holders of a majority of the Outstanding Amount of the System Restoration Bonds;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders, each representing less than a majority of the Outstanding Amount of the System Restoration Bonds, the Indenture Trustee in its sole discretion may file a petition with a court of competent jurisdiction to resolve such conflict or determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

SECTION 5.07. Unconditional Rights of Holders To Receive Principal, Premium, if any, and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any System Restoration Bond shall have the right, which is absolute and unconditional, (a) to receive payment of (i) the interest, if any, on such System Restoration Bond on the due dates thereof expressed in such System Restoration Bond or in this Indenture or (ii) the unpaid principal, if any, of the System Restoration Bonds on the Final Maturity Date therefor and (b) to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Holder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Holder, then and in every such case the Issuer, the Indenture Trustee and the Holders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Holders shall continue as though no such Proceeding had been instituted.

SECTION 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Holder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Holders, as the case may be.

SECTION 5.11. Control by Holders. The Holders of not less than a majority of the Outstanding Amount of the System Restoration Bonds of an affected Tranche shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the System Restoration Bonds of such Tranche or Tranches or exercising any trust or power conferred on the Indenture Trustee with respect to such Tranche or Tranches; provided that:

(i) such direction shall not be in conflict with any rule of law or with this Indenture and shall not involve the Indenture Trustee in any personal liability or expense;

(ii) subject to other conditions specified in Section 5.04, any direction to the Indenture Trustee to sell or liquidate any System Restoration Bond Collateral shall be by the Holders representing the applicable percentage of the Outstanding Amount of the System Restoration Bonds as provided in Section 5.04;

(iii) if the conditions set forth in Section 5.05 have been satisfied and the Indenture Trustee elects to retain the System Restoration Bond Collateral pursuant to Section 5.05, then any direction to the Indenture Trustee by Holders representing less than 100 percent of the Outstanding Amount of the System Restoration Bonds to sell or liquidate the System Restoration Bond Collateral shall be of no force and effect; and

(iv) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction;

provided, however, that, the Indenture Trustee's duties shall be subject to Section 6.01, and the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Holders not consenting to such action. Furthermore and without limiting the foregoing, the Indenture Trustee shall not be required to take any action for which it reasonably believes that it will not be indemnified to its satisfaction against any cost, expense or liabilities.

SECTION 5.12. Waiver of Past Defaults. Prior to the declaration of the acceleration of the maturity of the System Restoration Bonds as provided in Section 5.02, the Holders representing not less than a majority of the Outstanding Amount of the System Restoration Bonds of an affected Tranche, together with the PUCT, may waive any past Default or Event of Default and its consequences except a Default (a) in payment of principal of or premium, if any, or interest on any of the System Restoration Bonds or (b) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each System Restoration Bond of all Tranches affected. In the case of any such waiver, the Issuer, the Indenture Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any System Restoration Bond by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Holder, or group of Holders, in each case holding in the aggregate more than ten (10) percent of the Outstanding Amount of the System Restoration Bonds or (c) any suit instituted by any Holder for the enforcement of the payment of (i) interest on any System Restoration Bond on or after the due dates expressed in such System Restoration Bond and in this Indenture or (ii) the unpaid principal, if any, of any System Restoration Bond on or after the Final Maturity Date therefor.

SECTION 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.15. Action on System Restoration Bonds. The Indenture Trustee's right to seek and recover judgment on the System Restoration Bonds or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Holders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the System Restoration Bond Collateral or any other assets of the Issuer.

ARTICLE VI

THE INDENTURE TRUSTEE

SECTION 6.01. Duties of Indenture Trustee.

(a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming on their face to the requirements of this Indenture.

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own bad faith, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph (c) does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by the Indenture Trustee unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it hereunder.

(d) Every provision of this Indenture that in any way relates to the Indenture Trustee is subject to paragraphs (a), (b) and (c) of this Section 6.01.

(e) The Indenture Trustee shall not be liable for interest on any money received by it except as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee need not be segregated from other funds held by the Indenture Trustee except to the extent required by law or the terms of this Indenture or the Intercreditor Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayments of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01 and to the provisions of the TIA.

(i) In the event that the Indenture Trustee is also acting as Paying Agent or System Restoration Bond Registrar hereunder, the protections of this Article VI shall also be afforded to the Indenture Trustee in its capacity as Paying Agent or System Restoration Bond Registrar.

(j) Except for the express duties of the Indenture Trustee set forth in the Basic Documents, the Indenture Trustee shall have no obligation to administer, service or collect Transition Property or to maintain, monitor or otherwise supervise the administration, servicing or collection of the Transition Property.

(k) Under no circumstance shall the Indenture Trustee be liable for any indebtedness of the Issuer, the Servicer or the Seller evidenced by or arising under the System Restoration Bonds or the Basic Documents. None of the provisions of this Indenture shall in any event require the Indenture Trustee to perform or be responsible for the performance of any of the Servicer's obligations under the Basic Documents.

(l) Commencing with March 15, 2020, on or before March 15th of each fiscal year ending December 31, the Indenture Trustee shall (i) deliver to the Issuer a report (in form and substance reasonably satisfactory to the Issuer and addressed to the Issuer and signed by an authorized officer of the Indenture Trustee) regarding the Indenture Trustee's assessment of compliance, during the immediately preceding fiscal year ending December 31, with each of the applicable servicing criteria specified on Exhibit C hereto as required under Rules 13a-18 and 15d-18 of the Exchange Act and Item 1122 of Regulation AB and (ii) deliver to the Issuer a report of an Independent registered public accounting firm reasonably acceptable to the Issuer that attests to and reports on, in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act, the assessment of compliance made by the Indenture Trustee and delivered pursuant to clause (i).

(m) The Indenture Trustee shall not be required to take any action it is directed to take under this Indenture if the Indenture Trustee determines in good faith that the action so directed is inconsistent with the Indenture, any other Basic Document or Applicable Law, or would involve the Indenture Trustee in personal liability.

(n) The Indenture Trustee shall not be responsible for special, indirect, punitive or consequential damages, except for its own willful misconduct, negligence or bad faith.

(o) In no event shall the Indenture Trustee be liable for failure to perform its duties hereunder if such failure is a direct result of another party's failure to perform its obligations hereunder.

(p) Any discretion, permissive right or privilege of the Indenture Trustee hereunder shall not be deemed to be or otherwise construed as a duty or obligation.

(q) The Indenture Trustee's receipt of publicly available reports hereunder shall not constitute notice of any information contained therein or determinable therefrom, including but not limited to a party's compliance with covenants under the Indenture.

(r) Notwithstanding anything to the contrary in Sections 3.22(d), 3.22(e) or 9.01(a), in no event shall the Indenture Trustee be required to determine if an amendment to this Indenture or another Basic Document would (i) increase ongoing Qualified Costs or (ii) require the consent of PUCT, and the Indenture Trustee shall rely solely on written notice from the Issuer (which may be in the form of an Officer's Certificate) as to such determinations.

SECTION 6.02. Rights of Indenture Trustee. (a) The Indenture Trustee may conclusively rely and shall be fully protected in relying on any document (including electronic documents and communications delivered in accordance with the terms of this Indenture) believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in such document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require and shall be entitled to receive an Officer's Certificate or an Opinion of Counsel of external counsel of the Issuer (at no cost or expense to the Indenture Trustee) that such action is required or permitted hereunder. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent, attorney, custodian or nominee appointed with due care by it hereunder. The Indenture Trustee shall give prompt written notice to the Rating Agencies of the appointment of any such agent, custodian or nominee to whom it delegates any of its express duties under this Indenture provided, that the Indenture Trustee shall not be obligated to give such notice (i) if the Issuer or the Holders have directed the Indenture Trustee to appoint such agent, custodian or nominee (in which event the Issuer shall give prompt notice to the Rating Agencies of any such direction) or (ii) of the appointment of any agents, custodians or nominees made at any time that an Event of Default on account of non-payment of principal or interest on the System Restoration Bonds or insolvency of the Issuer has occurred and is continuing.

(d) The Indenture 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, however, that the Indenture Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Indenture Trustee may consult with counsel, and the advice or Opinion of Counsel with respect to legal matters relating to this Indenture and the System Restoration Bonds shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Indenture Trustee shall be under no obligation to (i) take any action or exercise any of the rights or powers vested in it by this Indenture or any other Basic Document at the request or direction of any of the Holders pursuant to this Indenture or (ii) institute, conduct or defend any litigation hereunder or thereunder or in relation hereto or thereto or to investigate any matter, at the request, order or direction of any of the Bondholders pursuant to the provisions of this Indenture and the Series Supplement or otherwise, unless it shall have grounds to believe in its discretion that security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby is to its satisfaction assured to it.

(g) In no event shall the Indenture Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer systems and services; it being understood that the Indenture Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(h) The Indenture Trustee shall not be deemed to have notice or knowledge of any Default or Event of Default unless a Responsible Officer of the Indenture Trustee has actual knowledge thereof or the Indenture Trustee has received written notice thereof pursuant to Section 10.04(a)(i).

SECTION 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of System Restoration Bonds and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, System Restoration Bond Registrar, co-registrar or co-paying agent or agent appointed under Section 3.02 may do the same with like rights. However, the Indenture Trustee must comply with Sections 6.11 and 6.12.

SECTION 6.04. Indenture Trustee's Disclaimer. The Indenture Trustee shall not be responsible for and makes no representation (other than as set forth in Section 6.13) as to the validity or adequacy of this Indenture or the System Restoration Bonds, it shall not be accountable for the Issuer's use of the proceeds from the System Restoration Bonds, and it shall not be responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the System Restoration Bonds or in the System Restoration Bonds other than the Indenture Trustee's certificate of authentication. The Indenture Trustee shall not be responsible for the form, character, genuineness, sufficiency, value or validity of any of the System Restoration Bond Collateral, or for or in respect of the System Restoration Bonds (other than the certificate of authentication for the System Restoration Bonds) or the Basic Documents and the Indenture Trustee shall in no event assume or incur any liability, duty or obligation to any Holder, other than as expressly provided in this Indenture. The Indenture Trustee shall not be liable for the default or misconduct of the Issuer, the Seller, or the Servicer under the Basic Documents or otherwise, and the Indenture Trustee shall have no obligation or liability to perform the obligations of such Persons.

SECTION 6.05. Notice of Defaults.

(a) If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall mail to the PUCT, each Rating Agency and each Bondholder notice of the Default within ten (10) Business Days after such Default was actually known to a Responsible Officer of the Indenture Trustee (provided that the Indenture Trustee shall give the Rating Agencies prompt notice of any payment default in respect of the System Restoration Bonds). Except in the case of a Default in payment of principal of and premium, if any, or interest on any System Restoration Bond, the Indenture Trustee may withhold the notice if a Responsible Officer in good faith determines that prompt notice of the Default is not likely to be material to Holders and the Default is likely to be cured and therefore that withholding the notice is in the interests of Holders. Except for an Event of Default under Sections 5.01(i) or (ii) that occur at a time when the Indenture Trustee is acting as the Paying Agent, and except as provided in the first sentence of this Section 6.05, in no event shall the Indenture Trustee be deemed to have knowledge of a Default.

(b) If a Default occurs and is continuing and if it is actually known to a Responsible Officer of the Indenture Trustee, the Indenture Trustee shall promptly, but no more frequently than monthly, mail to the PUCT notice of any legal fees or other expenses incurred by the Indenture Trustee in defending or prosecuting any actual or threatened litigation, including any administrative proceeding, in respect of the System Restoration Bonds or the System Restoration Bond Collateral.

SECTION 6.06. Reports by Indenture Trustee to Holders.

(a) So long as System Restoration Bonds are Outstanding and the Indenture Trustee is the System Restoration Bond Registrar and Paying Agent, upon the written request of any Holder or the Issuer, within the prescribed period of time for tax reporting purposes after the end of each calendar year, it shall deliver to each relevant current or former Holder such information in its possession as may be required to enable such Holder to prepare its federal income and any applicable local or State tax returns. If the System Restoration Bond Registrar and Paying Agent is other than the Indenture Trustee, such System Restoration Bond Registrar and Paying Agent, within the prescribed period of time for tax reporting purposes after the end of each calendar year, shall deliver to each relevant current or former Holder such information in its possession as may be required to enable such Holder to prepare its federal income and any applicable local or State tax returns.

(b) On or prior to each Payment Date or Special Payment Date therefor, the Indenture Trustee will deliver to the PUCT and each Holder of the System Restoration Bonds on such Payment Date or Special Payment Date a statement as provided and prepared by the Servicer which will include (to the extent applicable) the following information (and any other information so specified in the Series Supplement) as to the System Restoration Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date, as applicable:

(i) the amount of the payment to Holders allocable to principal, if any;

(ii) the amount of the payment to Holders allocable to interest;

(iii) the aggregate Outstanding Amount of the System Restoration Bonds, before and after giving effect to any payments allocated to principal reported under clause (i) above;

(iv) the difference, if any, between the amount specified in clause (iii) above and the Outstanding Amount specified in the related Expected Amortization Schedule;

(v) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Servicer; and

(vi) the amounts on deposit in the Capital Subaccount and the Excess Funds Subaccount, after giving effect to the foregoing payments.

(c) The Issuer shall send a copy of each of the Certificate of Compliance delivered to it pursuant to Section 3.03 of the Servicing Agreement and the Annual Accountant's Report delivered to it pursuant to Section 3.04 of the Servicing Agreement to the Rating Agencies, the Indenture Trustee and to the Servicer for posting on the 17g-5 Website in accordance with Rule 17g-5 under the Exchange Act. A copy of such certificate and report may be obtained by any Holder by a request in writing to the Indenture Trustee.

(d) The Indenture Trustee may consult with counsel, and the advice or opinion of such counsel with respect to legal matters relating to this Indenture and the System Restoration Bonds shall be full and complete authorization and protection from liability with respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 6.07. Compensation and Indemnity. The Issuer shall pay to the Indenture Trustee from time to time reasonable compensation for its services. The Indenture Trustee's compensation shall not, to the extent permitted by law, be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Indenture Trustee for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer shall indemnify and hold harmless the Indenture Trustee and its officers, directors, employees and agents (each an "Indemnified Person") against any and all cost, damage, loss, liability, tax or expense (including reasonable 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 this Indenture, the Series Supplement and the Basic Documents, including the costs and expenses of defending themselves against any claim of liability in connection with the exercise of the Indenture Trustee's rights, powers and obligations under this Indenture, the Series Supplement and the Basic Documents and the performance of its duties hereunder and obligations under or pursuant to this Indenture, the Series Supplement and the Basic Documents and the costs of defending any claim or bringing any claim to enforce the Issuer's indemnification obligations hereunder. The Issuer shall not be required to indemnify the Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any action, proceeding or investigation without the prior written consent of the Issuer which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Person of notice of the commencement of any action, proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Issuer under this Section 6.07, notify the Issuer in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Issuer shall not relieve the Issuer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.07. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.07, the Issuer shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defense of any such action, proceeding or investigation (in which case the Issuer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by such Indemnified Person except as set forth below); provided that such Indemnified Person shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Issuer's election to assume the defense of any action, proceeding or investigation, such Indemnified Person shall have the right to employ separate counsel (including local counsel), and the Issuer shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the defendants in any such action include both the Indemnified Person and the Issuer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Issuer, (ii) the Issuer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iii) the Issuer shall authorize the Indemnified Person to employ separate counsel at the expense of the Issuer. Notwithstanding the foregoing, the Issuer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Person other than one local counsel, if appropriate. The Issuer need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indemnified Person's own willful misconduct, negligence or bad faith. The rights of the Indenture Trustee set forth in this Section 6.07 are subject to and limited by the priority of payments set forth in Section 8.02(e).

The payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the Series Supplement or the earlier resignation or removal of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(v) or (vi) with respect to the Issuer, the expenses are intended to constitute expenses of administration under the Bankruptcy Code or any other applicable federal or State bankruptcy, insolvency or similar law.

SECTION 6.08. Replacement of Indenture Trustee and Securities Intermediary.

(a) The Indenture Trustee may resign at any time upon thirty (30) days' prior written notice to the Issuer subject to clause (c) below. The Holders of a majority of the Outstanding Amount of the System Restoration Bonds may remove the Indenture Trustee with thirty (30) days' prior written notice by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee. The Issuer shall remove the Indenture Trustee if:

(i) the Indenture Trustee fails to comply with Section 6.11;

(ii) the Indenture Trustee is adjudged a bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Indenture Trustee or its property;

(iv) the Indenture Trustee otherwise becomes incapable of acting; or

(v) the Indenture Trustee fails to provide to the Issuer any information reasonably requested by the Issuer pertaining to the Indenture Trustee and necessary for the Issuer or the Depositor to comply with its reporting obligations under the Exchange Act and Regulation AB and such failure is not resolved to the Issuer's and the Indenture Trustee's mutual satisfaction within a reasonable period of time.

Any removal or resignation of the Indenture Trustee shall also constitute a removal or resignation of the Securities Intermediary.

(b) If the Indenture Trustee gives notice of resignation or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee and Securities Intermediary.

(c) A successor Indenture Trustee shall deliver a written acceptance of its appointment as the Indenture Trustee and as the Securities Intermediary to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee and Securities Intermediary, as applicable, under this Indenture and the Intercreditor Agreement. No resignation or removal of the Indenture Trustee pursuant to this Section 6.08 shall become effective until acceptance of the appointment by a successor Indenture Trustee having the qualifications set forth in Section 6.11. Notice of any such appointment shall be promptly given to each Rating Agency by the successor Indenture Trustee. The successor Indenture Trustee shall mail a notice of its succession to Holders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee (including unless otherwise agreed by the successor Indenture Trustee, all REP Deposit Accounts held by the Indenture Trustee) to the successor Indenture Trustee.

(d) If a successor Indenture Trustee does not take office within sixty (60) days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Holders of a majority in Outstanding Amount of the System Restoration Bonds may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(e) If the Indenture Trustee fails to comply with Section 6.11, any Holder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(f) Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the retiring Indenture Trustee.

SECTION 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association without any further act shall be the successor Indenture Trustee; provided, however, that if such successor Indenture Trustee is not eligible under Section 6.11, then the successor Indenture Trustee shall be replaced in accordance with Section 6.08. Notice of any such event shall be promptly given to each Rating Agency by the successor Indenture Trustee.

In case at the time such successor or successors by merger, conversion, consolidation or transfer shall succeed to the trusts created by this Indenture any of the System Restoration Bonds shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver the System Restoration Bonds so authenticated; and in case at that time any of the System Restoration Bonds shall not have been authenticated, any successor to the Indenture Trustee may authenticate the System Restoration Bonds either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the System Restoration Bonds or in this Indenture provided that the certificate of the Indenture Trustee shall have.

SECTION 6.10. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the trust created by this Indenture or the System Restoration Bond Collateral may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the trust created by this Indenture or the System Restoration Bond Collateral, and to vest in such Person or Persons, in such capacity and for the benefit of the Secured Parties, such title to the System Restoration Bond Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08. Notice of any such appointment shall be promptly given to each Rating Agency and the PUCT by the Indenture Trustee.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the System Restoration Bond Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Indenture Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

SECTION 6.11. Eligibility; Disqualification. The Indenture Trustee shall at all times satisfy the requirements of TIA § 310(a)(1) and § 310(a)(5) and Section 26(a)(1) of the Investment Company Act. The Indenture Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition and it shall have a long term debt rating of "Baa3" or better by Moody's and "BBB-" or better by Standard & Poor's. The Indenture Trustee shall comply with TIA § 310(b), including the optional provision permitted by the second sentence of TIA § 310(b)(9); provided, however, that there shall be excluded from the operation of TIA § 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA § 310(b)(1) are met.

SECTION 6.12. Preferential Collection of Claims Against Issuer. The Indenture Trustee shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). An Indenture Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

SECTION 6.13. Representations and Warranties of Indenture Trustee. The Indenture Trustee hereby represents and warrants that:

(a) the Indenture Trustee is a national banking association duly organized and validly existing under the laws of the United States;

(b) the Indenture Trustee has full power, authority and legal right to execute, deliver and perform this Indenture and the Basic Documents to which the Indenture Trustee is a party and has taken all necessary action to authorize the execution, delivery, and performance by it of this Indenture and such Basic Documents; and

(c) No consent, license, approval or authorization of, or filing or registration with, any governmental authority, bureau or agency is required to be obtained that has not been obtained by the Indenture Trustee in connection with the execution, delivery or performance by the Indenture Trustee of this Indenture and the Basic Documents to which the Indenture Trustee is a party.

SECTION 6.14. Annual Report by Independent Registered Public Accountants. In the event the firm of Independent registered public accountants requires the Indenture Trustee to agree or consent to the procedures performed by such firm pursuant to Section 3.04(a) of the Servicing Agreement, the Indenture Trustee shall deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer in accordance with Section 3.04(a) of the Servicing Agreement. In the event such firm requires the Indenture Trustee to agree to the procedures performed by such firm, the Issuer shall direct the Indenture Trustee in writing to so agree; it being understood and agreed that the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Issuer, and the Indenture Trustee makes no independent inquiry or investigation to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

SECTION 6.15. Custody of System Restoration Bond Collateral. The Indenture Trustee shall hold such of the System Restoration Bond Collateral (and any other collateral that may be granted to the Indenture Trustee) as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York. The Indenture Trustee shall hold such of the System Restoration Bond Collateral as constitute investment property through the Securities Intermediary (which, as of the date hereof, is U.S. Bank National Association). The initial Securities Intermediary, hereby agrees (and each future Securities Intermediary shall agree) with the Indenture Trustee that (a) such investment property shall at all times be credited to a Securities Account of the Indenture Trustee, (b) the Securities Intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each Financial Asset credited to such Securities Account, (c) all property credited to such Securities Account shall be treated as a Financial Asset, (d) the Securities Intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (e) the Securities Intermediary will not agree with any person other than the Indenture Trustee to comply with entitlement orders originated by such other person, (f) such Securities Accounts and the property credited thereto shall not be subject to any Lien or right of set-off in favor of the Securities Intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the internal laws of the State of New York. The Indenture Trustee shall hold any System Restoration Bond Collateral consisting of money in a deposit account and shall act as a "bank" for purposes of perfecting the security interest in such deposit account. Terms used in the two preceding sentences that are defined in the UCC and not otherwise defined herein shall have the meaning set forth in the UCC. Except as permitted by this Section 6.15, or elsewhere in this Indenture, the Indenture Trustee shall not hold System Restoration Bond Collateral through an agent or a nominee.

ARTICLE VII

HOLDERS' LISTS AND REPORTS

SECTION 7.01. Issuer To Furnish Indenture Trustee Names and Addresses of Holders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five (5) days after the earlier of (i) each Record Date and (ii) six (6) months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Bondholders as of such Record Date, (b) at such other times as the Indenture Trustee may request in writing, within thirty (30) days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than ten (10) days prior to the time such list is furnished; provided, however, that so long as the Indenture Trustee is the System Restoration Bond Registrar, no such list shall be required to be furnished.

SECTION 7.02. Preservation of Information; Communications to Holders.

(a) The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders contained in the most recent list furnished to the Indenture Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Indenture Trustee in its capacity as System Restoration Bond Registrar. The Indenture Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

(b) Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or under the System Restoration Bonds. In addition, upon the written request of any Holder or group of Holders of Outstanding System Restoration Bonds evidencing not less than 10 percent of the Outstanding Amount of the System Restoration Bonds, the Indenture Trustee shall afford the Holder or Holders making such request a copy of a current list of Holders for purposes of communicating with other Holders with respect to their rights hereunder.

(c) The Issuer, the Indenture Trustee and the System Restoration Bond Registrar shall have the protection of TIA § 312(c).

SECTION 7.03. Reports by Issuer.

(a) The Issuer shall:

(i) so long as the Issuer or the Depositor is required to file such documents with the SEC, provide to the Indenture Trustee, within fifteen (15) days after the Issuer is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) which the Issuer or the Depositor may be required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) provide to the Indenture Trustee and file with the SEC, in accordance with rules and regulations prescribed from time to time by the SEC such additional information, documents and reports with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(iii) supply to the Indenture Trustee (and the Indenture Trustee shall transmit by mail to all Holders described in TIA § 313(c)), such summaries of any information, documents and reports required to be filed by the Issuer pursuant to clauses (i) and (ii) of this Section 7.03(a) as may be required by rules and regulations prescribed from time to time by the SEC.

Except as may be provided by Section 313(c) of the Trust Indenture Act, the Issuer may fulfill its obligation to provide the materials described in this Section 7.03(a) by providing such materials in electronic format.

Delivery of such reports, information and documents to the Indenture Trustee is for informational purposes only and the Indenture Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Indenture Trustee is entitled to rely exclusively on Officer's Certificates).

(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year.

SECTION 7.04. Reports by Indenture Trustee. If required by TIA § 313(a), within sixty (60) days after March 30 of each year, commencing with March 30, 2020, the Indenture Trustee shall mail to each Bondholder as required by TIA § 313(c) a brief report dated as of such date that complies with TIA § 313(a). The Indenture Trustee also shall comply with TIA § 313(b); provided, however, that the initial report so issued shall be delivered not more than twelve (12) months after the initial issuance thereof.

A copy of each report at the time of its mailing to Holders shall be filed by the Servicer with the SEC and each stock exchange, if any, on which the System Restoration Bonds are listed. The Issuer shall notify the Indenture Trustee in writing if and when the System Restoration Bonds are listed on any stock exchange.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

SECTION 8.01. Collection of Money. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture and the other Basic Documents. The Indenture Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the System Restoration Bond Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, subject to Article VI, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

SECTION 8.02. Collection Account and REP Deposit Accounts.

(a) Prior to the Closing Date, the Issuer shall open or cause to be opened with the Securities Intermediary located at the Indenture Trustee's office located at the Corporate Trust Office, or at another Eligible Institution, one or more segregated trust accounts in the Indenture Trustee's name for the deposit of Estimated SRC Collections, SRC Collections and all other amounts received with respect to the System Restoration Bond Collateral (the "Collection Account"). The Collection Account will consist of three subaccounts: a general subaccount (the "General Subaccount"), an excess funds subaccount (the "Excess Funds Subaccount") and a capital subaccount (the "Capital Subaccount" and, together with the General Subaccount and the Excess Funds Subaccount, the "Subaccounts"). Each Subaccount shall have a separate subaccount (each, a "Cash Subaccount") where cash allocated to the related Subaccount will be held. Only cash shall be allocated to a Cash Subaccount and no other System Restoration Bond Collateral shall be allocated to a Cash Subaccount. References to any Subaccount shall be deemed to include the related Cash Subaccount. For administrative purposes, the Subaccounts may be established by the Indenture Trustee as separate accounts. Such separate accounts will be recognized individually as a Subaccount and collectively as the "Collection Account." Prior to or concurrently with the issuance of System Restoration Bonds, the Member shall deposit into the Capital Subaccount an amount equal to the Required Capital Level. All amounts in the Collection Account not allocated to any other subaccount shall be allocated to the General Subaccount. Any cash transferred to, or arising under, a Subaccount will be held in the related Cash Subaccount. Prior to the Initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Capital Subaccount, up to the Required Capital Level and any Capital Subaccount Investment Earnings) shall be allocated to the General Subaccount. All references to the Collection Account shall be deemed to include reference to all subaccounts contained therein. Withdrawals from and deposits to each of the foregoing subaccounts of the Collection Account shall be made as set forth in Section 8.02(d) and (e). The Collection Account shall at all times be maintained in an Eligible Account, under the sole dominion and exclusive control of the Indenture Trustee, through the Securities Intermediary, and only the Indenture Trustee shall have access to the Collection Account for the purpose of making deposits in and withdrawals from the Collection Account in accordance with this Indenture. Funds in the Collection Account shall not be commingled with any other moneys. All moneys deposited from time to time in the Collection Account, all deposits therein pursuant to this Indenture, and all investments made in Eligible Investments as directed in writing by the Issuer with such moneys, including all income or other gain from such investments other than Capital Subaccount Investment Earnings, shall be held by the Indenture Trustee in the Collection Account as part of the System Restoration Bond Collateral as herein provided. The Securities Intermediary shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or its date of redemption or the failure of the Issuer or the Servicer to provide timely written investment direction.

(b) The Securities Intermediary hereby confirms that (i) the Collection Account (other than each Cash Subaccount) is, or at inception will be established as, a "securities account" as such term is defined in Section 8-501(a) of the UCC, (ii) it is a "securities intermediary" (as such term is defined in Section 8-102(a) (14) of the UCC) and is acting in such capacity with respect to such accounts, (iii) the Indenture Trustee for the benefit of the Secured Parties is the sole "entitlement holder" (as such term is defined in Section 8-102(a)(7) of the UCC) with respect to such accounts and no other Person shall have the right to give "entitlement orders" (as such term is defined in Section 8-102(a)(8)) with respect to such Collection Account and (iv) the Securities Intermediary agrees to comply with "entitlement orders" originated by the Indenture Trustee with respect to the Collection Account without further consent of the Issuer or any other Person. The Securities Intermediary hereby further agrees that each item of property (whether investment property, financial asset, security, instrument or cash) received by it will be credited to the Collection Account (and that all cash will be credited to the related Cash Subaccount). Such property, other than cash, shall be treated by it as a Financial Asset. The Indenture Trustee shall cause the Securities Intermediary to hold any System Restoration Bond Collateral consisting of money in the applicable Cash Subaccount and the Securities Intermediary hereby confirms that each Cash Subaccount is a "deposit account" within the meaning of Section 9-102(a)(29) of the UCC. The Securities Intermediary further confirms that for purposes of perfecting the security interest in such deposit account, it shall (i) act as the "bank" within the meaning of Section 9-102(a)(8) of the UCC and (ii) comply with instructions originated by the Indenture Trustee directing disposition of the funds in the Cash Subaccount without further consent of the Issuer or any other Person. Notwithstanding anything to the contrary, for purposes of the UCC, New York State shall be deemed to be "securities intermediary jurisdiction" within the meaning of Section 8-110(e) of the UCC of the Securities Intermediary and "bank's jurisdiction" within the meaning of Section 9-304(a) of the UCC of the Securities Intermediary acting as the "bank" and the Collection Account (as well as the securities entitlements related thereto) shall be governed by the laws of the State of New York. The Securities Intermediary represents and agrees that (i) the "account agreement" (within the meaning of the Hague Securities Convention establishing the Collection Account is governed by the law of the State of New York and that the law of the State of New York shall govern all issues specified in Article 2(1) of the Hague Securities Convention and (ii) at the time of entry of such account agreement, the Securities Intermediary had one or more offices (within the meaning of the Hague Securities Convention) in the United States of America which satisfies the criteria provided in Article 4(1)(a) or (b) of the Hague Securities Convention.

(c) The Indenture Trustee shall have sole dominion and exclusive control over all moneys in the Collection Account through the Securities Intermediary and shall apply such amounts therein as provided in this Section 8.02. The Indenture Trustee shall also pay from the Collection Account any amounts requested in writing to be paid by or to the Servicer pursuant to Section 6.11(c)(ii) of the Servicing Agreement.

(d) SRC Collections shall be deposited in the General Subaccount as provided in Section 6.11 of the Servicing Agreement. All deposits to and withdrawals from the Collection Account, all allocations to the subaccounts of the Collection Account and any amounts to be paid to the Servicer under Section 8.02(c) shall be made by the Indenture Trustee in accordance with the written instructions provided by the Servicer in the Monthly Servicer's Certificate, the Servicer's Certificate or upon other written notice provided by the Servicer pursuant to Section 6.11(a) of the Servicing Agreement, as applicable.

(e) On each Payment Date, the Indenture Trustee shall apply all amounts on deposit in the Collection Account, including all Investment Earnings thereon, to pay the following amounts, solely in accordance with the Servicer's Certificate, in the following priority:

(i) all amounts owed by the Issuer to the Indenture Trustee (including legal fees and expenses and outstanding indemnity amounts) shall be paid to the Indenture Trustee (subject to Section 6.07) in an amount not to exceed annually the amount set forth in the Series Supplement or such greater amount as approved by the PUCT in the Financing Order;

(ii) the Servicing Fee with respect to such Payment Date and all unpaid Servicing Fees for prior Payment Dates shall be paid to the Servicer;

(iii) the Administration Fee for such Payment Date shall be paid to the Administrator and the Independent Manager Fee for such Payment Date shall be paid to the Independent Managers;

(iv) all other ordinary and periodic Operating Expenses for such Payment Date not described above shall be paid to the parties to which such Operating Expenses are owed;

(v) Periodic Interest for such Payment Date, including any overdue Periodic Interest (together with, to the extent lawful, interest on such overdue Periodic Interest at the applicable System Restoration Bond Interest Rate), with respect to the System Restoration Bonds shall be paid to the Holders of System Restoration Bonds;

(vi) principal due and payable on the System Restoration Bonds as a result of an Event of Default or on the Final Maturity Date of the System Restoration Bonds shall be paid to the Holders of System Restoration Bonds;

(vii) Periodic Principal for such Payment Date, including any overdue Periodic Principal, with respect to the System Restoration Bonds shall be paid to the Holders of System Restoration Bonds, pro rata;

(viii) any other unpaid fees, expenses and indemnity amounts owed to the Indenture Trustee;

(ix) any other unpaid Operating Expenses and any remaining amounts owed pursuant to the Basic Documents;

(x) the amount, if any, by which the Required Capital Level exceeds the amount in the Capital Subaccount as of such Payment Date shall be allocated to the Capital Subaccount;

(xi) provided that no Event of Default has occurred and is continuing and that AEP Texas is required to make a contribution to the Capital Subaccount greater than 0.5% of the initial outstanding principal balance of the System Restoration Bonds, release to AEP Texas an amount calculated at an annual rate per annum equal to AEP Texas' rate of return on equity most recently approved by the Texas commission prior to the required Capital Contribution on the amount contributed to the Capital Subaccount in excess of 0.5% of the initial outstanding principal balance of the System Restoration Bonds;

(xii) if there is a positive balance after making the foregoing allocations, an amount not to exceed the lesser of such balance and the investment earnings on the Capital Subaccount shall be paid to the Issuer; provided that no Event of Default has occurred or is continuing;

(xiii) the balance, if any, shall be allocated to the Excess Funds Subaccount for distribution on subsequent Payment Dates; and

(xiv) after principal of and premium, if any, and interest on all the System Restoration Bonds, and all of the other foregoing amounts, have been paid in full, including, without limitation, amounts due and payable to the Indenture Trustee under Section 6.07 or otherwise, the balance (including all amounts then held in the Capital Subaccount and the Excess Funds Subaccount), if any, shall be paid to the Issuer, free from the Lien of this Indenture and the Series Supplement.

All payments to the Holders of the System Restoration Bonds pursuant to clauses (v), (vi) and (vii) above shall be made to such Holders pro rata based on the respective amounts of interest and/or principal owed, unless, in the case of System Restoration Bonds comprised of two or more Tranches, the Series Supplement provides otherwise. Payments in respect of principal of and premium, if any, and interest on any Tranche of System Restoration Bonds will be made on a pro rata basis among all the Holders of such Tranche. In the case of an Event of Default, then, in accordance with Section 5.04(c), moneys will be applied pursuant to clauses (v) and (vi), in such order, on a pro rata basis, based upon the interest or the principal owed.

The amounts paid during any calendar year pursuant to clauses (i), (ii), (iii), (iv) and (viii) may not exceed the amounts approved in the Series Supplement unless the PUCT approves a different aggregate amount for such payments.

(f) If on any Payment Date funds on deposit in the General Subaccount are insufficient to make the payments contemplated by clauses (i) through (ix) of Section 8.02(e) above, the Indenture Trustee shall (i) first, draw from amounts on deposit in the Excess Funds Subaccount and (ii) second, draw from amounts on deposit in the Capital Subaccount, in each case, up to the amount of such shortfall in order to make the payments contemplated by clauses (i) through (ix) of Section 8.02(e). In addition, if on any Payment Date funds on deposit in the General Subaccount are insufficient to make the allocations contemplated by clause (x) above, the Indenture Trustee shall draw from amounts on deposit in the Excess Funds Subaccount to make such allocations.

(g) Pursuant to the written direction of the Servicer, the Issuer shall open, with the Securities Intermediary at the Indenture Trustee's Corporate Trust Office, or at another Eligible Institution, one or more segregated non-interest-bearing trust accounts in the Indenture Trustee's name (each a "REP Deposit Account"), each such account for the benefit of one Depositing REP with respect to the System Restoration Bonds. Pursuant to and in accordance with the Financing Order, amounts received from any REP as a security deposit with respect to the System Restoration Bonds shall be deposited into the applicable REP Deposit Account. The REP Deposit Accounts shall at all times be maintained in an Eligible Account and only the Indenture Trustee shall have access to the REP Deposit Accounts for the purpose of making deposits in and withdrawals from the REP Deposit Accounts in accordance with this Indenture, the Servicing Agreement and the Financing Order. Funds in the REP Deposit Accounts shall not be commingled by the Issuer with any other moneys, and shall not be commingled by the Indenture Trustee. All or a portion of the funds in the REP Deposit Accounts shall be invested in Eligible Investments and reinvested by the Indenture Trustee pursuant to the written direction of the Servicer or the REP making the deposit. All income or other gain from investments of moneys deposited in any REP Deposit Account shall be deposited by the Indenture Trustee into such REP Deposit Account, and any loss resulting from such investments shall be charged to such REP Deposit Account. In addition, each Depositing REP shall be responsible for the payment of income taxes with respect to such investments, and the Indenture Trustee shall not be required to provide any tax reporting with respect to any REP Deposit Account unless so requested by the applicable REP. The Indenture Trustee shall not in any way be held liable for the selection of Eligible Investments for the REP Deposit Accounts or for investment losses incurred thereon. The Indenture Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of timely and specific written investment direction from the Servicer and appropriate documents from the applicable REP. Absent written direction from the Servicer, funds shall remain uninvested. The Indenture Trustee shall release property from any REP Deposit Account only as and to the extent directed by the Servicer pursuant to the Financing Order and the Servicing Agreement.

SECTION 8.03. General Provisions Regarding the Collection Account.

(a) So long as no Default or Event of Default shall have occurred and be continuing, all or a portion of the funds in the Collection Account shall be invested in Eligible Investments and reinvested by the Indenture Trustee upon Issuer Order; provided, however, that (i) such Eligible Investments shall not mature or be redeemed later than the Business Day prior to the next Payment Date or Special Payment Date, if applicable, for the System Restoration Bonds and (ii) such Eligible Investments shall not be sold, liquidated or otherwise disposed of at a loss prior to the maturity or the date of redemption thereof. All income or other gain from investments of moneys deposited in the Collection Account shall be deposited by the Indenture Trustee in such Collection Account, and any loss resulting from such investments shall be charged to such Collection Account. The Issuer will not direct the Indenture Trustee to make any investment of any funds or to sell any investment held in the Collection Account unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, and, in connection with any direction to the Indenture Trustee to make any such investment or sale, if requested by the Indenture Trustee, the Issuer shall deliver to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer (at the Issuer's cost and expense) to such effect. In no event shall the Indenture Trustee be liable for the selection of Eligible Investments or for investment losses incurred thereon. The Indenture Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or its date of redemption or the failure of the Issuer or the Servicer to provide timely written investment direction. The Indenture Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction pursuant to an Issuer Order.

(b) Subject to Section 6.01(c), the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account resulting from any loss on any Eligible Investment included therein except for losses attributable to the Indenture Trustee's failure to make payments on such Eligible Investments issued by the Indenture Trustee, in its commercial capacity as principal obligor and not as trustee, in accordance with their terms.

(c) If (i) the Issuer shall have failed to give written investment directions for any funds on deposit in the Collection Account to the Indenture Trustee by 11:00 a.m. Eastern Time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day; or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the System Restoration Bonds but the System Restoration Bonds shall not have been declared due and payable pursuant to Section 5.02, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in such Collection Account in the money market fund (described under clause (d) of the definition of "Eligible Investments") specified in the most recent written investment directions delivered by the Issuer to the Indenture Trustee with respect to such type of Eligible Investments; provided that if the Issuer has never delivered written investment directions to the Indenture Trustee or if the money market fund specified in the most recent written investment directions no longer exists, the Indenture Trustee shall not invest or reinvest such funds in any investments.

(d) The parties hereto acknowledge that the Servicer may, pursuant to the Servicing Agreement, select Eligible Investments on behalf of the Issuer.

SECTION 8.04. Release of System Restoration Bond Collateral.

(a) So long as the Issuer is not in default hereunder and no Default hereunder would occur as a result of such action, the Issuer, through the Servicer, may collect, sell or otherwise dispose of written-off receivables, at any time and from time to time in the ordinary course of business, without any notice to, or release or consent by, the Indenture Trustee, but only as and to the extent permitted by the Basic Documents; provided, however, that any and all proceeds of such dispositions shall become System Restoration Bond Collateral and be deposited to the General Subaccount immediately upon receipt thereof by the Issuer or any other Person, including the Servicer. Without limiting the foregoing, the Servicer, may, at any time and from time to time without any notice to, or release or consent by, the Indenture Trustee, sell or otherwise dispose of any System Restoration Bond Collateral previously written-off as a defaulted or uncollectible account in accordance with the terms of the Servicing Agreement and the requirements of the proviso in the immediately preceding sentence.

(b) The Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the Lien of this Indenture, or convey the Indenture Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys. The Indenture Trustee shall release property from the Lien of this Indenture pursuant to this Section 8.04(b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate, an Opinion of Counsel of external counsel of the Issuer (at the Issuer's cost and expense) and (if required by the TIA) Independent Certificates in accordance with TIA §§ 314(c) and 314(d)(1) meeting the applicable requirements of Section 10.01.

(c) The Indenture Trustee shall, at such time as there are no System Restoration Bonds Outstanding and all sums payable to the Indenture Trustee pursuant to Section 6.07 or otherwise have been paid, release any remaining portion of the System Restoration Bond Collateral that secured the System Restoration Bonds from the Lien of this Indenture, release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credit to the Collection Account and, subject to the instructions of the Servicer, shall release the REP Deposit Accounts in accordance with Section 8.02.

SECTION 8.05. Opinion of Counsel. The Indenture Trustee shall receive at least seven (7) days' notice when requested by the Issuer to take any action pursuant to Section 8.04, accompanied by copies of any instruments involved, and the Indenture Trustee shall also require, as a condition to such action, an Opinion of Counsel of external counsel of the Issuer, in form and substance satisfactory to the Indenture Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the perfection or priority of the remaining security for the System Restoration Bonds or the rights of the Holders in contravention of the provisions of this Indenture and the Series Supplement; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the System Restoration Bond Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

SECTION 8.06. Reports by Independent Registered Public Accountants. As of the Closing Date, the Issuer shall appoint a firm of Independent registered public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture and the Series Supplement. In the event such firm requires the Indenture Trustee to agree to the procedures performed by such firm, the Issuer shall direct the Indenture Trustee in writing to so agree; it being understood and agreed that the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Issuer, and the Indenture Trustee makes no independent inquiry or investigation to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. Upon any resignation by, or termination by the Issuer of, such firm the Issuer shall provide written notice thereof to the Indenture Trustee and shall promptly appoint a successor thereto that shall also be a firm of Independent registered public accountants of recognized national reputation. If the Issuer shall fail to appoint a successor to a firm of Independent registered public accountants that has resigned or been terminated within fifteen (15) days after such resignation or termination, the Indenture Trustee shall promptly notify the Issuer of such failure in writing. If the Issuer shall not have appointed a successor within ten (10) days thereafter the Indenture Trustee shall promptly appoint a successor firm of Independent registered public accountants of recognized national reputation; provided that the Indenture Trustee shall have no liability with respect to such appointment. The fees of such Independent registered public accountants and its successor shall be payable by the Issuer as an Operating Expense.

ARTICLE IX

Supplemental Indentures

SECTION 9.01. Supplemental Indentures Without Consent of Holders.

(a) Without the consent of the Holders of any System Restoration Bonds but with prior notice to the Rating Agencies, the Issuer and the Indenture Trustee, when authorized by an Issuer Order, and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, with the consent of the PUCT pursuant to Section 9.03 (which consent shall not be required with regard to the Series Supplement), at any time and from time to time, may enter into one or more indentures supplemental hereto (which shall conform to the provisions of the TIA as in force at the date of the execution thereof), in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property, including, without limitation, the System Restoration Bond Collateral, at any time subject to the Lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the Lien of this Indenture and the Series Supplement, or to subject to the Lien of this Indenture and the Series Supplement additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the System Restoration Bonds;

(iii) to add to the covenants of the Issuer, for the benefit of the Secured Parties, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity or mistake, to correct or supplement any provision herein or in any supplemental indenture, including the Series Supplement, which may be inconsistent with any other provision herein or in any supplemental indenture, including the Series Supplement, or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided that (i) such action shall not, as evidenced by an Opinion of Counsel of external counsel of the Issuer, adversely affect in any material respect the interests of the Holders of the System Restoration Bonds and (ii) the Rating Agency Condition shall have been satisfied with respect thereto;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the System Restoration Bonds and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the TIA or under any similar or successor federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA;

(viii) to evidence the final terms of the System Restoration Bonds in the Series Supplement;

(ix) to qualify the System Restoration Bonds for registration with a Clearing Agency;

(x) to satisfy any Rating Agency requirements;

(xi) to make any amendment to this Indenture or the System Restoration Bonds relating to the transfer and legending of the System Restoration Bonds to comply with applicable securities laws; or

(xii) to conform the text of this Indenture or the System Restoration Bonds to any provision of the registration statement filed by the Issuer with the SEC with respect to the issuance of the System Restoration Bonds to the extent that such provision was intended to be a verbatim recitation of a provision of this Indenture or the System Restoration Bonds.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Issuer and the Indenture Trustee, when authorized by an Issuer Order, may, also without the consent of any of the Holders of the System Restoration Bonds, with the consent of the PUCT pursuant to Section 9.03, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the System Restoration Bonds under this Indenture; provided, however, that (i) such action shall not, as evidenced by an Opinion of Counsel of nationally recognized counsel of the Issuer experienced in structured finance transactions, adversely affect in any material respect the interests of the Holders and (ii) the Rating Agency Condition shall have been satisfied with respect thereto.

SECTION 9.02. Supplemental Indentures with Consent of Holders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with the consent of the PUCT pursuant to Section 9.03, with prior notice to the Rating Agencies and with the consent of the Holders of not less than a majority of the Outstanding Amount of the System Restoration Bonds of each Tranche to be adversely affected, by Act of such Holders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the System Restoration Bonds under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding System Restoration Bond of each Tranche affected thereby:

(i) change the date of payment of any installment of principal of or premium, if any, or interest on any System Restoration Bond of such Tranche, or reduce the principal amount thereof, the interest rate thereon or premium, if any, with respect thereto, change the provisions of this Indenture and the Series Supplement relating to the application of collections on, or the proceeds of the sale of, the System Restoration Bond Collateral to payment of principal of or premium, if any, or interest on the System Restoration Bonds, or change any place of payment where, or the coin or currency in which, any System Restoration Bond or the interest thereon is payable;

(ii) reduce the percentage of the Outstanding Amount of the System Restoration Bonds or of a Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(iii) reduce the percentage of the Outstanding Amount of the System Restoration Bonds required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the System Restoration Bond Collateral pursuant to Section 5.04;

(iv) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that those provisions of this Indenture or the other Basic Documents referenced in this Section 9.02 cannot be modified or waived without the consent of the Holder of each Outstanding System Restoration Bond affected thereby;

(v) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest, principal or premium, if any, due on any System Restoration Bond on any Payment Date (including the calculation of any of the individual components of such calculation) or change the Expected Amortization Schedule or Final Maturity Date of any Tranche of System Restoration Bonds;

(vi) decrease the Required Capital Level;

(vii) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the System Restoration Bond Collateral or, except as otherwise permitted or contemplated herein, terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Holder of any System Restoration Bond of the security provided by the Lien of this Indenture;

(viii) cause any material adverse federal income tax consequence to the Seller, the Issuer, the Managers, the Indenture Trustee or the then existing Holders; or

(ix) impair the right to institute suit for the enforcement of the provisions of this Indenture regarding payment or application of funds.

It shall not be necessary for any Act of Holders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture pursuant to this Section 9.02, the Issuer shall mail to the Rating Agencies a copy of such supplemental indenture and to the Holders of the System Restoration Bonds to which such supplemental indenture relates either a copy of such supplemental indenture or a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.03. PUCT Condition. Notwithstanding anything to the contrary in Section 9.01 or 9.02, no supplemental indenture (other than the Series Supplement) shall be effective unless the process set forth in this Section 9.03 has been followed.

(a) At least thirty-one (31) days prior to the effectiveness of any such supplemental indenture and after obtaining the other necessary approvals set forth in Section 9.01 or 9.02, as applicable, except for the consent of the Indenture Trustee and the Holders if the consent of the Holders is required or sought by the Indenture Trustee in connection with such supplemental indenture, the Issuer shall have delivered to the PUCT's executive director and general counsel written notification of any proposed supplemental indenture, which notification shall contain:

(i) a reference to Docket No. 49308;

(ii) an Officer's Certificate stating that the proposed supplemental indenture has been approved by all parties to this Indenture; and

(iii) a statement identifying the person to whom the PUCT or its staff is to address any response to the proposed supplemental indenture or to request additional time.

(b) The PUCT or its staff shall, within thirty (30) days of receiving the notification complying with Section 9.03(a) above, either:

(i) provide notice of its determination that the proposed supplemental indenture will not under any circumstances have the effect of increasing the ongoing Qualified Costs related to the System Restoration Bonds,

(ii) provide notice of its consent or lack of consent to the person specified in Section 9.03(a)(iii) above, or

(iii) be conclusively deemed to have consented to the proposed supplemental indenture,

unless, within thirty (30) days of receiving the notification complying with Section 9.03(a) above, the PUCT or its staff delivers to the office of the person specified in Section 9.03(a)(iii) above 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 supplemental indenture. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent or notice of its determination that the proposed supplemental indenture will not under any circumstances increase ongoing Qualified Costs to the person specified in Section 9.03(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed supplemental indenture on the last day of such extension of time. Any supplemental indenture requiring the consent of the PUCT shall become effective on the later of (i) the date proposed by the parties to such supplemental indenture and (ii) the first day after the expiration of the thirty (30)-day period provided for in this Section 9.03(b), or, if such period has been extended pursuant hereto, the first day after the expiration of such period as so extended.

(c) Following the delivery of a notice to the PUCT by the Issuer under Section 9.03(a) above, the Issuer shall have the right at any time to withdraw from the PUCT further consideration of any notification of a proposed supplemental indenture. Such withdrawal shall be evidenced by the prompt written notice thereof by the Issuer to the PUCT, the Indenture Trustee and the Servicer.

SECTION 9.04. Execution of Supplemental Indentures. In executing any supplemental indenture permitted by this Article IX or the modifications thereby of the trust created by this Indenture, the Indenture Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and all conditions precedent have been satisfied. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

SECTION 9.05. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith with respect to each Tranche of System Restoration Bonds affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.06. Conformity with Trust Indenture Act. Every amendment of this Indenture and every supplemental indenture executed pursuant to this Article IX shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be qualified under the TIA.

SECTION 9.07. Reference in System Restoration Bonds to Supplemental Indentures. System Restoration Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may bear a notation as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new System Restoration Bonds so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding System Restoration Bonds.

ARTICLE X

Miscellaneous

SECTION 10.01. Compliance Certificates and Opinions, etc.

(a) Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if required by the TIA) an Independent Certificate from a firm of registered public accountants meeting the applicable requirements of this Section 10.01, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

(b) (i) Prior to the deposit of any System Restoration Bond Collateral or other property or securities with the Indenture Trustee that is to be made the basis for the release of any property or securities subject to the Lien of this Indenture, the Issuer shall, in addition to any obligation imposed in Section 10.01(a) or elsewhere in this Indenture, furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such deposit) to the Issuer of the System Restoration Bond Collateral or other property or securities to be so deposited.

(ii) Whenever the Issuer is required to furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (i) above, the Issuer shall also deliver to the Indenture Trustee an Independent Certificate as to the same matters, if the fair value to the Issuer of the securities to be so deposited and of all other such securities made the basis of any such withdrawal or release since the commencement of the then-current fiscal year of the Issuer, as set forth in the certificates delivered pursuant to clause (i) above and this clause (ii), is ten percent or more of the Outstanding Amount of the System Restoration Bonds, but such a certificate need not be furnished with respect to any securities so deposited, if the fair value thereof to the Issuer as set forth in the related Officer's Certificate is less than the lesser of (A) $25,000 or (B) one percent of the Outstanding Amount of the System Restoration Bonds.

(iii) Whenever any property or securities are to be released from the Lien of this Indenture other than pursuant to Section 8.02(e), the Issuer shall also furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such release) of the property or securities proposed to be released and stating that in the opinion of such person the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(iv) Whenever the Issuer is required to furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signatory thereof as to the matters described in clause (iii) above, the Issuer shall also furnish to the Indenture Trustee an Independent Certificate as to the same matters if the fair value of the property or securities with respect thereto, or securities released from the Lien of this Indenture (other than pursuant to Section 8.02(e)) since the commencement of the then-current calendar year, as set forth in the certificates required by clause (iii) above and this clause (iv), equals 10 percent or more of the Outstanding Amount of the System Restoration Bonds, but such certificate need not be furnished in the case of any release of property or securities if the fair value thereof as set forth in the related Officer's Certificate is less than the lesser of (A) $25,000 or (B) one percent of the then Outstanding Amount of the System Restoration Bonds.

(v) Notwithstanding any other provision of this Section 10.01, the Indenture Trustee may (A) collect, liquidate, sell or otherwise dispose of the Transition Property and the other System Restoration Bond Collateral as and to the extent permitted or required by the Basic Documents and (B) make cash payments out of the Collection Account as and to the extent permitted or required by the Basic Documents.

SECTION 10.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters (including financial and capital markets), upon a certificate or opinion of, or representations by, an officer or officers of the Servicer or the Issuer and other documents necessary and advisable in the judgment of counsel delivering such Opinion of Counsel.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely conclusively upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 10.03. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 10.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of System Restoration Bonds shall be proved by the System Restoration Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any System Restoration Bonds shall bind the Holder of every System Restoration Bond issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such System Restoration Bond.

SECTION 10.04. Notices, etc., to Indenture Trustee, Issuer and Rating Agencies.

(a) Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(i) the Indenture Trustee by any Holder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing by facsimile transmission, first-class mail or overnight delivery service to or with the Indenture Trustee at the Corporate Trust Office,

(ii) the Issuer by the Indenture Trustee or by any Holder shall be sufficient for every purpose hereunder if in writing and mailed, first-class, postage prepaid, to the Issuer addressed to: AEP Texas Restoration Funding LLC at 539 N. Carancahua Street, Suite 1700, Corpus Christi, Texas 78401, Attention: Manager, Telephone: (361) 881-5399, Facsimile: (361) 880-6128, or at any other address previously furnished in writing to the Indenture Trustee by the Issuer. The Issuer shall promptly transmit any notice received by it from the Holders to the Indenture Trustee, or

(iii) the PUCT by the Seller, the Issuer or the Indenture Trustee shall be sufficient for every purpose hereunder if in writing and mailed, first-class, postage prepaid, to the PUCT addressed to: 1701 N. Congress Avenue, Austin, Texas 78701, Attention of Executive Director and General Counsel, telephone: (512) 936-7040, facsimile: (512) 936-7036.

(b) Notices required to be given to the Rating Agencies by the Issuer or the Indenture Trustee shall be in writing, facsimile, personally delivered or mailed by certified mail, return receipt requested to:

(i) in the case of Moody's, to: Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich, New York, New York 10007, Email: ServicerReports@moodys.com (all such notices to be delivered to Moody's in writing by email), and solely for purposes of Rating Agency Condition communications: abscormonitoring@moodys.com;

(ii) in the case of Standard & Poor's, to Standard & Poor's Ratings Group, Inc., Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@spglobal.com (all such notices to be delivered to Standard & Poor's in writing by email); and

(iii) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Any notice, report or other communication given hereunder may be in writing and addressed as follows or to the extent receipt is confirmed telephonically sent by Electronic Means to the address provided above.

SECTION 10.05. Notices to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Holder affected by such event, at such Holder's address as it appears on the System Restoration Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event of Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a Default or Event of Default.

SECTION 10.06. Rule 17g-5 Compliance. The Indenture Trustee agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Indenture Trustee to any Rating Agency under this Indenture or any other Basic Document to which it is a party for the purpose of determining or confirming the credit rating of the System Restoration Bonds or undertaking credit rating surveillance of the System Restoration Bonds shall be provided, substantially concurrently, to the Servicer for posting on a password-protected website (the "17g-5 Website"). The Servicer shall be responsible for posting all of the information on the 17g-5 Website.

SECTION 10.07. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control.

The provisions of TIA §§ 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

SECTION 10.08. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 10.09. Successors and Assigns. All covenants and agreements in this Indenture and the System Restoration Bonds by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors.

SECTION 10.10. Severability. Any provision in this Indenture or in the System Restoration Bonds that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.11. Benefits of Indenture. Nothing in this Indenture or in the System Restoration Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the System Restoration Bond Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 10.12. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the System Restoration Bonds or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

SECTION 10.13. GOVERNING LAW. THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND SECTIONS 9-301 THROUGH 9-306 OF THE NY UCC), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN TRANSITION PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE TRANSITION PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 10.14. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 10.15. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel at the Issuer's cost and expense (which shall be external counsel of the Issuer) to the effect that such recording is necessary either for the protection of the Holders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

SECTION 10.16. Issuer Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the System Restoration Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) any owner of a membership interest in the Issuer (including AEP Texas) or (ii) any shareholder, partner, owner, beneficiary, agent, officer, director or employee of the Indenture Trustee, the Managers or any owner of a membership interest in the Issuer (including AEP Texas) in its respective individual capacity, or of any successor or assign of any of them in their respective individual or corporate capacities, except as any such Person may have expressly agreed in writing. Each Holder by accepting a System Restoration 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 System Restoration Bonds.

SECTION 10.17. No Recourse to Issuer. Notwithstanding any provision of this Indenture or the Series Supplement to the contrary, Holders shall look only to the System Restoration Bond Collateral with respect to any amounts due to the Holders hereunder and under the System Restoration Bonds and, in the event such System Restoration Bond Collateral is insufficient to pay in full the amounts owed on the System Restoration Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a System Restoration 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 System Restoration Bonds.

SECTION 10.18. Basic Documents. The Indenture Trustee is hereby authorized to execute and deliver the Intercreditor Agreement and the Servicing Agreement and to execute and deliver any other Basic Document which it is requested to acknowledge and, upon receipt of an Issuer Request, to modify the Intercreditor Agreement in order to add as parties thereto any other trustees for holders of transition bonds issued by Affiliates of AEP Texas so long as such modification, as evidenced by an Officer's Certificate delivered to the Indenture Trustee, does not materially and adversely affect any Holder's rights in and to any Tranche of System Restoration Bonds, or otherwise hereunder. Such request shall be accompanied by an Opinion of Counsel of external counsel of the Issuer, upon which the Indenture Trustee may rely conclusively with no duty of independent investigation or inquiry, to the effect that all conditions precedent for an amendment to the Intercreditor Agreement have been satisfied. The Intercreditor Agreement shall be binding on the Holders.

SECTION 10.19. No Petition. The Indenture Trustee, by entering into this Indenture, and each Holder, by accepting a System Restoration Bond (or interest therein) issued hereunder, hereby covenant and agree that they shall not, prior to the date which is one year and one day after the termination of this Indenture, acquiesce, petition or otherwise invoke or cause the Issuer or any Manager to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its respective property, or ordering the dissolution, winding up or liquidation of the affairs of the Issuer. Nothing in this paragraph shall preclude, or be deemed to estop, such Holder or the Indenture Trustee (A) from taking or omitting to take any action prior to such date in (i) any case or proceeding voluntarily filed or commenced by or on behalf of the Issuer under or pursuant to any such law or (ii) any involuntary case or proceeding pertaining to the Issuer which is filed or commenced by or on behalf of a Person other than such Holder and is not joined in by such Holder (or any Person to which such holder shall have assigned, transferred or otherwise conveyed any part of the obligations of the Issuer hereunder) under or pursuant to any such law, or (B) from commencing or prosecuting any legal action which is not an involuntary case or proceeding under or pursuant to any such law against the Issuer or any of its properties.

SECTION 10.20. Securities Intermediary. The Securities Intermediary, in acting under this Indenture, is entitled to all rights, benefits, protections, immunities and indemnities accorded U.S. Bank National Association, a national banking association, in its capacity as Indenture Trustee under this Indenture.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer, the Indenture Trustee and the Securities Intermediary have caused this Indenture to be duly executed by their respective officers thereunto duly authorized and duly attested, all as of the day and year first above written.

AEP TEXAS RESTORATION FUNDING LLC, as Issuer

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee and as Securities Intermediary

By: _____
Name:
Title:

STATE OF [_____])
) ss:
COUNTY OF [_____])

On the ____ day of **[_____]**, 2019, before me, _____, a Notary Public in and for said county and state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person and officer whose name is subscribed to the within instrument and acknowledged to me that such person executed the same in such person's authorized capacity, and that by the signature on the instrument U.S. Bank National Association, a national banking association, and the entity upon whose behalf the person acted, executed this instrument.

WITNESS my hand and official seal.

_____
Notary Public
My commission expires: _____

STATE OF [_____])
) ss:
COUNTY OF [_____])

On the ____ day of **[_____]**, 2019, before me, _____, a Notary Public in and for said county and state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as a manager of AEP Texas Restoration Funding LLC, and that by his signature on the instrument AEP Texas Restoration Funding LLC, a Delaware limited liability company and the entity upon whose behalf such person acted, executed this instrument.

WITNESS my hand and official seal.

_____
Notary Public
My commission expires: _____

EXHIBIT A

FORM OF SYSTEM RESTORATION BOND

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE REGISTERED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED No. _____ $_____

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP NO.

THE PRINCIPAL OF THIS TRANCHE ┤-├ SYSTEM RESTORATION BOND ("THIS TRANCHE [-] SYSTEM RESTORATION BOND") WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS TRANCHE ┤ - ├ SYSTEM RESTORATION BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. THE HOLDER OF THIS SYSTEM RESTORATION BOND HAS NO RECOURSE TO THE ISSUER HEREOF AND AGREES TO LOOK ONLY TO THE SYSTEM RESTORATION BOND COLLATERAL, AS DESCRIBED IN THE INDENTURE, FOR PAYMENT OF ANY AMOUNTS DUE HEREUNDER. ALL OBLIGATIONS OF THE ISSUER OF THIS TRANCHE ┤ - ├ SYSTEM RESTORATION BOND UNDER THE TERMS OF THE INDENTURE WILL BE RELEASED AND DISCHARGED UPON PAYMENT IN FULL HEREOF OR AS OTHERWISE PROVIDED IN SECTION 3.11(b) OR ARTICLE IV OF THE INDENTURE. THE HOLDER OF THIS TRANCHE ┤ - ├ SYSTEM RESTORATION BOND HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE WHICH IS ONE (1) YEAR AND ONE (1) DAY AFTER THE PAYMENT IN FULL OF THE TRANCHE ┤-├ SYSTEM RESTORATION BONDS, IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY OTHER PERSON IN INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANIZATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDINGS OR OTHER SIMILAR PROCEEDING UNDER THE LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO THE ISSUER WHICH IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW, OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION WHICH IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

AEP TEXAS RESTORATION FUNDING LLC SYSTEM RESTORATION BONDS,

TRANCHE [-].

INTEREST RATE	ORIGINAL PRINCIPAL AMOUNT	FINAL MATURITY DATE

AEP Texas Restoration Funding LLC, a limited liability company created under the laws of the State of Delaware (herein referred to as the "Issuer"), for value received, hereby promises to pay to [ ], or registered assigns, the Original Principal Amount shown above [in semi-annual installments] on the Payment Dates and in the amounts specified on the reverse hereof or, if less, the amounts determined pursuant to Section 8.02 of the Indenture, in each year, commencing on the date determined as provided on the reverse hereof and ending on or before the Final Maturity Date shown above and to pay interest, at the Interest Rate shown above, on each _____ and _____ or if any such day is not a Business Day, the next succeeding Business Day, commencing on [ ] and continuing until the earlier of the payment in full of the principal hereof and the Final Maturity Date (each a "Payment Date"), on the principal amount of this Tranche [-] System Restoration Bond (hereinafter referred to as this "Tranche [-] System Restoration Bond"). Interest on this Tranche [-] System Restoration Bond will accrue for each Payment Date from the most recent Payment Date on which interest has been paid to but excluding such Payment Date or, if no interest has yet been paid, from the date of issuance. Interest will be computed on the basis of [specify method of computation]. Such principal of and interest on this Tranche [-] System Restoration Bond shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this Tranche ┼ - ┼ System Restoration Bond are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Tranche ┼ - ┼ System Restoration Bond shall be applied first to interest due and payable on this Tranche ┼ - ┼ System Restoration Bond as provided above and then to the unpaid principal of and premium, if any, on this Tranche ┼ - ┼ System Restoration Bond, all in the manner set forth in the Indenture.

Reference is made to the further provisions of this Tranche ┼ - ┼ System Restoration Bond set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Tranche ┼ - ┼ System Restoration Bond.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Tranche ┼ - ┼ System Restoration Bond shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Responsible Officer.

Date:

AEP TEXAS RESTORATION FUNDING LLC

By: _____

Name:
Title:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: _____ ___, ____

This is one of the Tranche ┼-┼ System Restoration Bonds, designated above and referred to in the within-mentioned Indenture.

U.S. Bank National Association, as Indenture Trustee

By: _____
Name:
Title:

REVERSE OF SYSTEM RESTORATION BOND* [1]

This Tranche ┼ - ┼ System Restoration Bond is one of a duly authorized issue of System Restoration Bonds of the Issuer (herein called the "System Restoration Bonds"), issued and which System Restoration Bonds are issuable in one or more Tranches, and the System Restoration Bonds consists of ┼ ┼ Tranches, including this Tranche ┼ - ┼ System Restoration Bond (herein called the "Tranche [-] System Restoration Bonds"), all issued and to be issued under that certain Indenture dated as of September 18, 2019, (as supplemented by the Series Supplement (as defined below), the "Indenture"), between the Issuer and [U.S. Bank National Association], in its capacity as indenture trustee (the "Indenture Trustee", which term includes any successor indenture trustee under the Indenture) and in its separate capacity as a securities intermediary (the "Securities Intermediary", which term includes any successor securities intermediary under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the System Restoration Bonds. For purposes herein, "Series Supplement" means that certain Series Supplement dated as of [_____] [_], 2019, between the Issuer and the Indenture Trustee. All terms used in this Tranche ┼ - ┼ System Restoration Bond that are defined in the Indenture, as amended, restated, supplemented or otherwise modified from time to time, shall have the meanings assigned to such terms in the Indenture.

The Tranche ┼ - ┼ System Restoration Bonds, the other Tranches of System Restoration Bonds (all of such Tranches being referred to herein as "System Restoration Bonds") are and will be equally and ratably secured by the System Restoration Bond Collateral pledged as security therefor as provided in the Indenture.

The principal of this Tranche ┼ - ┼ System Restoration Bond shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding principal balance thereof on the preceding Payment Date (after giving effect to all payments of principal, if any, made on the preceding Payment Date) has been reduced to the principal balance specified in the Expected Amortization Schedule which is attached to the Series Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Bondholders representing not less than a majority of the Outstanding Amount of the System Restoration Bonds have declared the System Restoration Bonds to be immediately due and payable in accordance with Section 5.02 of the Indenture (unless such declaration shall have been rescinded and annulled in accordance with Section 5.02 of the Indenture). However, actual principal payments may be made in lesser than expected amounts and at later than expected times as determined pursuant to Section 8.02 of the Indenture. The entire unpaid principal amount of this Tranche ┼ - ┼ System Restoration Bond shall be due and payable on the Final Maturity Date hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the System Restoration Bonds shall be due and payable, if not then previously paid, on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Holders of the System Restoration Bonds representing not less than a majority of the Outstanding Amount of the System Restoration Bonds have declared the System Restoration Bonds to be immediately due and payable in the manner provided in Section 5.02 of the Indenture (unless such declaration shall have been rescinded and annulled in accordance with Section 5.02 of the Indenture). All principal payments on the Tranche ┼ - ┼ System Restoration Bonds shall be made pro rata to the Tranche ┼ - ┼ Holders entitled thereto based on the respective principal amounts of the Tranche ┼ - ┼ System Restoration Bonds held by them.

*The form of the reverse of a System Restoration Bond is substantially as follows, unless otherwise specified in the Series Supplement.

Payments of interest on this Tranche ┼-┼ System Restoration Bond due and payable on each Payment Date, together with the installment of principal or premium, if any, shall be made by wire transfer to an account maintained by the Person whose name appears as the Registered Holder of this Tranche ┼-┼ System Restoration Bond (or one or more Predecessor System Restoration Bonds) on the System Restoration Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Indenture or the Series Supplement, except that if this Tranche ┼-┼ System Restoration Bond is held in Book-Entry Form, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global System Restoration Bond evidencing this Tranche ┼-┼ System Restoration Bond unless and until such Global System Restoration Bond is exchanged for Definitive System Restoration Bonds (in which event payments shall be made as provided above), and except for the final installment of principal and premium, if any, payable with respect to this Tranche ┼-┼ System Restoration Bond on a Payment Date which shall be payable as provided below. Any reduction in the principal amount of this Tranche ┼-┼ System Restoration Bond (or any one or more Predecessor System Restoration Bonds) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Tranche ┼-┼ System Restoration Bond and of any System Restoration Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Tranche ┼-┼ System Restoration Bond on a Payment Date, then the Indenture Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Registered Holder hereof as of the Record Date preceding such Payment Date by notice mailed no later than five (5) days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of this Tranche ┼-┼ System Restoration Bond and shall specify the place where this Tranche ┼-┼ System Restoration Bond may be presented and surrendered for payment of such installment.

The Issuer shall pay interest on overdue installments of interest at the System Restoration Bond Interest Rate to the extent lawful.

This System Restoration Bond is a “transition bond” as such term is defined in the Securitization Law. Principal and interest due and payable on this System Restoration Bond are payable from and secured primarily by Transition Property created and established by the Financing Order obtained from the Public Utility Commission of Texas pursuant to the Securitization Law. Transition Property consists of the rights and interests of the Seller in the relevant Financing Order, including the right to impose, collect and recover certain charges (defined in the Securitization Law as “transition charges”, including such charges as set forth in Section 36.403(f)) to be included in regular electric utility bills of existing and future electric service customers within the service territory of AEP Texas Central Company, a Texas electric utility, or its successors or assigns, as more fully described in the Financing Order.

The Securitization Law provides that: "Transition 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 electric utility, that it will not take or permit any action that would impair the value of transition property, or, except as permitted by Section 39.307, reduce, alter, or impair the transition 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 transition bonds have been paid and performed in full. Any party issuing transition bonds is authorized to include this pledge in any documentation relating to those bonds."

The Issuer and AEP Texas hereby acknowledge that the purchase of this System Restoration Bond by the Holder hereof or the purchase of any beneficial interest herein by any Person are made in reliance on the foregoing pledge.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Tranche ┼-┼ System Restoration Bond may be registered on the System Restoration Bond Register upon surrender of this Tranche ┼-┼ System Restoration Bond for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by (a) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an institution which is a member of one of the following recognized Signature Guaranty Programs: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) in such other guarantee program acceptable to the Indenture Trustee, and (b) such other documents as the Indenture Trustee may require, and thereupon one or more new Tranche ┼-┼ System Restoration Bonds of Minimum Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Tranche ┼-┼ System Restoration Bond, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange, other than exchanges pursuant to Sections 2.04 or 2.06 of the Indenture not involving any transfer.

Each System Restoration Bond holder, by acceptance of a System Restoration Bond, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the System Restoration Bonds or under the Indenture or any certificate or other writing delivered in connection therewith, against (i) any owner of a membership interest in the Issuer (including AEP Texas) or (ii) any shareholder, partner, owner, beneficiary, agent, officer or employee of the Indenture Trustee, the Managers or any owner of a membership interest in the Issuer (including AEP Texas) in its respective individual or corporate capacities, or of any successor or assign of any of them in their individual or corporate capacities, except as any such Person may have expressly agreed in writing. Each Holder by accepting a System Restoration 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 System Restoration Bonds.

Prior to the due presentment for registration of transfer of this Tranche ┼-┼ System Restoration Bond, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Tranche ┼-┼ System Restoration Bond is registered (as of the day of determination) as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Tranche ┼-┼ System Restoration Bond and for all other purposes whatsoever, whether or not this Tranche ┼-┼ System Restoration Bond be overdue, and neither the Issuer, the Indenture Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the System Restoration Bonds under the Indenture at any time by the Issuer with the consent of the Bondholders representing not less than a majority of the Outstanding Amount of all System Restoration Bonds at the time outstanding of each Tranche to be affected. The Indenture also contains provisions permitting the Bondholders representing specified percentages of the Outstanding Amount of the System Restoration Bonds, on behalf of the Holders of all the System Restoration Bonds, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Tranche ┼-┼ System Restoration Bond (or any one of more Predecessor System Restoration Bonds) shall be conclusive and binding upon such Holder and upon all future Holders of this Tranche ┼-┼ System Restoration Bond and of any System Restoration Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Tranche ┼-┼ System Restoration Bond. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the System Restoration Bonds issued thereunder.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Issuer on this Tranche ┼-┼ System Restoration Bond and (b) certain restrictive covenants and the related Events of Default, upon compliance by the Issuer with certain conditions set forth herein, which provisions apply to this Tranche ┼-┼ System Restoration Bond.

The term “Issuer” as used in this Tranche ┼-┼ System Restoration Bond includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Indenture Trustee and the Bondholders under the Indenture.

The Tranche ┼-┼ System Restoration Bonds are issuable only in registered form in denominations as provided in the Indenture and the Series Supplement subject to certain limitations therein set forth.

THIS TRANCHE ┼-┼ SYSTEM RESTORATION BOND, THE INDENTURE AND THE SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND SECTIONS 9-301 THROUGH 9-306 OF THE NY UCC), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED UNDER THE INDENTURE IN TRANSITION PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE TRANSITION PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

No reference herein to the Indenture and no provision of this Tranche ┼-┼ System Restoration Bond or of the Indenture shall alter or impair the obligation, which is absolute and unconditional, to pay the principal of and interest on this Tranche ┼-┼ System Restoration Bond at the times, place, and rate, and in the coin or currency herein prescribed.

The Issuer and the Indenture Trustee, by entering into the Indenture, and the Holders and any Persons holding a beneficial interest in any Tranche ┼-┼ System Restoration Bond, by acquiring any Tranche ┼-┼ System Restoration Bond or interest therein, (i) express their intention that, solely for the purpose of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for the purpose of state, local and other taxes, the Tranche ┼-┼ System Restoration Bonds qualify under applicable tax law as indebtedness of the sole owner of the Issuer secured by the System Restoration Bond Collateral and (ii) solely for purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of the Tranche ┼-┼ System Restoration Bonds are outstanding, agree to treat the Tranche ┼-┼ System Restoration Bonds as indebtedness of the sole owner of the Issuer secured by the System Restoration Bond Collateral unless otherwise required by appropriate taxing authorities.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Tranche ┼ - ┼ System Restoration Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	_____Custodian _____ (Custodian) (minor) Under Uniform Gifts to Minor Act (_____) (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee _____

FOR VALUE RECEIVED, the undersigned[2] hereby sells, assigns and transfers unto

(name and address of assignee)

the within Tranche ┼-┼ System Restoration Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Tranche ┼-┼ System Restoration Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

_____

[2] SYSTEM RESTORATION BOND: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Tranche ┼-┼ System Restoration Bond in every particular, without alteration, enlargement or any change whatsoever.

NOTE: Signature(s) must be guaranteed by an institution which is a member of one of the following recognized Signature Guaranty Programs: (i) The Securities Transfer Agent Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Program (MSP), (iii) the Stock Exchange Medallion Program (SEMP) or (iv) such other guarantee program acceptable to the Indenture Trustee.

EXHIBIT B

FORM OF SERIES SUPPLEMENT

This SERIES SUPPLEMENT dated as of **[_____] [_]**, 2019 (this "Supplement"), by and between AEP TEXAS RESTORATION FUNDING LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank National Association, a national banking association ("BANK"), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of September 18, 2019, by and between the Issuer and BANK, in its capacity as Indenture Trustee and in its separate capacity as a securities intermediary (the "Indenture").

PRELIMINARY STATEMENT

Section 9.01 of the Indenture provides, among other things, that the Issuer and the Indenture Trustee may at any time enter into an indenture supplemental to the Indenture for the purposes of authorizing the issuance by the Issuer of the System Restoration Bonds and specifying the terms thereof. The Issuer has duly authorized the creation of the System Restoration Bonds with an initial aggregate principal amount of $**[ ]** to be known as AEP Texas Restoration Funding LLC System Restoration Bonds (the "System Restoration Bonds"), and the Issuer and the Indenture Trustee are executing and delivering this Supplement in order to provide for the System Restoration Bonds.

All terms used in this Supplement that are defined in the Indenture, either directly or by reference therein, have the meanings assigned to them therein, except to the extent such terms are defined or modified in this Supplement or the context clearly requires otherwise. In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement shall govern.

GRANTING CLAUSE

With respect to the System Restoration Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the System Restoration Bonds, all of the Issuer's right, title and interest (whether now owned or hereafter acquired or arising) in and to (a) the Transition Property created under and pursuant to the Financing Order, and transferred by the Seller to the Issuer pursuant to the Sale Agreement (including, to the fullest extent permitted by law, the right to impose, collect and receive System Restoration Charges, all revenues, collections, claims, rights, payments, money or proceeds of or arising from the System Restoration Charges authorized in the Financing Order and any Tariffs filed pursuant thereto and any contractual rights to collect such System Restoration Charges from Customers and REPs), (b) all System Restoration Charges related to the Transition Property, (c) the Sale Agreement and the Bill of Sale executed in connection therewith and all property and interests in property transferred under the Sale Agreement and the Bill of Sale with respect to the Transition Property and the System Restoration Bonds, (d) the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement and any subservicing, agency, intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the foregoing Transition Property and the System Restoration Bonds, (e) the Collection Account, all subaccounts thereof 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, (f) all rights to compel the Servicer to file for and obtain adjustments to the System Restoration Charges in accordance with Section 39.307 (as incorporated through Section 36.403(a)) of the Securitization Law, the Financing Order or any Tariff filed in connection therewith, (g) all deposits, guarantees, surety bonds, letters of credit and other forms of credit support provided by or on behalf of REPs pursuant to such Financing Order or Tariff, including investment earnings thereon and all amounts on deposit in the REP Deposit Accounts; (h) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Transition Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property, (i) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, (j) all payments on or under, and all proceeds in respect of, any or all of the foregoing; it being understood that the following do not constitute System Restoration Bond Collateral: (i) cash that has been released pursuant to Section 8.02(e)(xii) of the Indenture and, following retirement of all Outstanding System Restoration Bonds, cash that has been released pursuant to Section 8.02(e)(xiv) of the Indenture and (ii) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the System Restoration Bonds (together with any interest earnings thereon), it being understood that such amounts described in clauses (i) and (ii) above shall not be subject to Section 3.17 of the Indenture.

The foregoing Grant is made in trust to secure the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the System Restoration Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee equally and ratably without prejudice, priority or distinction, except as expressly provided in the Indenture, to secure compliance with the provisions of the Indenture with respect to the System Restoration Bonds, all as provided in the Indenture and to secure the performance by the Issuer of all of its obligations under the Indenture (collectively, the "Secured Obligations"). The Indenture and this Series Supplement constitute a security agreement within the meaning of the Securitization Law and under the UCC to the extent that the provisions of the UCC are applicable hereto.

The Indenture Trustee, as indenture trustee on behalf of the Secured Parties of the System Restoration Bonds, acknowledges such Grant and accepts the trusts under this Supplement and the Indenture in accordance with the provisions of this Supplement and the Indenture.

SECTION 1. Designation. The System Restoration Bonds shall be designated generally as the System Restoration Bonds, and further denominated as Tranches [ ] through [ ].

SECTION 2. Initial Principal Amount; System Restoration Bond Interest Rate; Scheduled Payment Date; Final Maturity Date. The System Restoration Bonds of each Tranche shall have the initial principal amount, bear interest at the rates per annum and shall have the Scheduled Final Payment Dates and the Final Maturity Dates set forth below:

Tranche	Initial Principal Amount	System Restoration Bond Interest Rate	Scheduled Final Payment Date	Final Maturity Date

The System Restoration Bond Interest Rate shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3. Authentication Date; Payment Dates; Expected Amortization Schedule for Principal; Periodic Interest; No Premium; Other Terms.

(a) Authentication Date. The System Restoration Bonds that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on [ ] (the "Closing Date") shall have as their date of authentication [ ].

(b) Payment Dates. The Payment Dates for the System Restoration Bonds are _____ and _____ of each year or, if any such date is not a Business Day, the next succeeding Business Day, commencing on [ ] (the "Initial Payment Date") and continuing until the earlier of repayment of the Tranche [ ] System Restoration Bonds in full and the Final Maturity Date Tranche [ ] System Restoration Bonds.

(c) Expected Amortization Schedule for Principal. Unless an Event of Default shall have occurred and be continuing on each Payment Date, the Indenture Trustee shall distribute to the Holders of record as of the related Record Date amounts payable pursuant to Section 8.02(e) of the Indenture as principal, in the following order and priority: [(1) to the holders of the Tranche A-1 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; (2) to the holders of the Tranche A-2 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; (3) to the holders of the Tranche A-3 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; (4) to the holders of the Tranche A-4 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; and (5) to the holders of the Tranche A-5 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero;] provided, however, that in no event shall a principal payment pursuant to this Section 3(c) on any Tranche on a Payment Date be greater than the amount necessary to reduce the Outstanding Amount of such Tranche of System Restoration Bonds to the amount specified in the Expected Amortization Schedule which is attached as Schedule A hereto for such Tranche and Payment Date.

(d) Periodic Interest. Periodic Interest will be payable on each Tranche of the System Restoration Bonds on each Payment Date in an amount equal to [one-half] of the product of (i) the applicable System Restoration Bond Interest Rate and (ii) the Outstanding Amount of the related Tranche of System Restoration Bonds as of the close of business on the preceding Payment Date after giving effect to all payments of principal made to the Holders of the related Tranche of System Restoration Bonds on such preceding Payment Date; provided, however, that with respect to the Initial Payment Date, or, if no payment has yet been made, interest on the outstanding principal balance will accrue from and including the Closing Date to, but excluding, the following Payment Date.

(e) Book-Entry System Restoration Bonds. The System Restoration Bonds shall be Book-Entry System Restoration Bonds and the applicable provisions of Section 2.11 of the Indenture shall apply to the System Restoration Bonds.

(f) Waterfall Caps. The amount payable with respect to the System Restoration Bonds pursuant to Section 8.02(e)(i) shall not exceed $100,000 annually.

SECTION 4. Minimum Denominations. The System Restoration Bonds shall be issuable in the Minimum Denomination and integral multiples of $1,000 in excess thereof.

SECTION 5. Certain Defined Terms. Article I of the Indenture provides that the meanings of certain defined terms used in the Indenture shall be as defined in Appendix A to the Indenture. Additionally, Article II of the Indenture provides certain terms will have the meanings specified in the related Supplement. With respect to the System Restoration Bonds, the following definitions shall apply:

"Initial Payment Date" has the meaning set forth in Section 3 of this Supplement.

"Minimum Denomination" shall mean $100,000, or integral multiples of $1,000 in excess thereof, except for one bond of each tranche which may be of a smaller denomination.

"System Restoration Bond Interest Rate" has the meaning set forth in Section 2 of this Supplement.

"Payment Date" has the meaning set forth in Section 3(b) of this Supplement.

"Periodic Interest" has the meaning set forth in Section 3(d) of this Supplement.

"Closing Date" has the meaning set forth in Section 3(a) of this Supplement.

SECTION 6. Delivery and Payment for the System Restoration Bonds; Form of the System Restoration Bonds. The Indenture Trustee shall deliver the System Restoration Bonds to the Issuer when authenticated in accordance with Section 2.03 of the Indenture. The System Restoration Bonds of each Tranche shall be in the form of Exhibits [A-1 through A-_] hereto.

SECTION 7. Ratification of Agreement. As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Supplement, shall be read, taken, and construed as one and the same instrument. This Supplement amends, modifies and supplemented the Indenture only in so far as it relates to the System Restoration Bonds.

EXHIBIT B

SECTION 8. Counterparts. This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 9. GOVERNING LAW. THIS SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND SECTIONS 9-301 THROUGH 9-306 OF THE NY UCC), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED UNDER THE INDENTURE IN TRANSITION PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE TRANSITION PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 10. Issuer Obligation. No recourse may be taken directly or indirectly, by the Holders with respect to the obligations of the Issuer on the System Restoration Bonds, under the Indenture or under this Supplement or any certificate or other writing delivered in connection herewith or therewith, against (i) any owner of a beneficial interest in the Issuer (including AEP Texas) or (ii) any shareholder, partner, owner, beneficiary, agent, officer, director, employee or agent of the Indenture Trustee, the Managers or any owner of a beneficial interest in the Issuer (including AEP Texas) in its individual capacity, or of any successor or assign of any of them in their respective individual or corporate capacities, except as any such Person may have expressly agreed. Each Holder by accepting a System Restoration 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 System Restoration Bonds.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement to be duly executed by their respective officers thereunto duly authorized as of the first day of the month and year first above written.

AEP TEXAS RESTORATION FUNDING LLC, as Issuer

By: _____
Name:
Title:

U.S. Bank National Association, as Indenture Trustee

By: _____
Name:
Title:

EXHIBIT B

SCHEDULE A

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

DATE	TRANCHE	TRANCHE	TRANCHE	TRANCHE	TRANCHE
Issuance Date	$	$	$	$	$
_____ ___, 200_					
_____ ___, 200_					
_____ ___, 200_					
_____ ___, 200_					

EXHIBIT B

SERVICING CRITERIA TO BE ADDRESSED
BY INDENTURE TRUSTEE IN ASSESSMENT OF COMPLIANCE

Reg AB Reference	Servicing Criteria	Applicable Indenture Trustee Responsibility
	General Servicing Considerations	
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for pool assets are maintained.	
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	
1122(d)(1)(v)	Aggregation of information, as applicable, is mathematically accurate and the information conveyed accurately reflects the information.	
	Cash Collection and Administration	
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days of receipt, or such other number of days specified in the transaction agreements.	**X**
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	**X**
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	**X**
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Securities Exchange Act.	**X**
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations (A) are mathematically accurate; (B) are prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) are reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	
	Investor Remittances and Reporting	
1122(d)(3)(i)	Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the Commission as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the servicer.	
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	**X**

Reg AB Reference	Servicing Criteria	Applicable Indenture Trustee Responsibility
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the servicer's investor records, or such other number of days specified in the transaction agreements.	**X**
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	**X**
	Pool Asset Administration	
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related documents.	
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	
1122(d)(4)(v)	The servicer's records regarding the pool assets agree with the servicer's records with respect to an obligor's unpaid principal balance.	
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool assets (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period any pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	

APPENDIX A

DEFINITIONS

This is Appendix A to the Indenture.

A. Defined Terms. As used in the Indenture, the Sale Agreement, the LLC Agreement, the Servicing Agreement, the Series Supplement or any other Basic Document as hereinafter defined, as the case may be (unless the context requires a different meaning), the following terms have the following meanings:

"17g-5 Website" is defined in Section 10.06 of the Indenture.

"Act" is defined in Section 10.03(a) of the Indenture.

"Actual SRC Collections" means, with respect to Billed SRCs in any Reconciliation Period, the amount of such Billed SRCs less the amounts held back under the Tariff by an applicable REP to reflect potential write-offs calculated for such Reconciliation Period.

"Administration Agreement" means the Administration Agreement, dated as of September 18, 2019, by and between AEP Texas and the Issuer, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Administration Fee" is defined in Section 2 of the Administration Agreement.

"Administrator" means AEP Texas, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"AEP Texas" means AEP Texas Inc., a Delaware corporation, and any of its successors or permitted assigns.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendatory Tariff" means a revision to service riders or any other notice filing filed with the PUCT in respect of the Tariff pursuant to a True-Up Adjustment.

"Annual Accountant's Report" is defined in Section 3.04 of the Servicing Agreement.

"Annual True-Up Adjustment" means each adjustment to the System Restoration Charges made pursuant to the terms of the Tariff in accordance with Section 4.01(b)(i) of the Servicing Agreement.

"Annual True-Up Adjustment Date" means the first billing cycle of September of each year, commencing in September 2020.

"Applicable REP" means, with respect to each Customer taking service from a REP, the REP, if any, responsible for billing and collecting all charges to such Customer, including the System Restoration Charges.

"Application" means the Application of AEP Texas for a Financing Order to securitize regulatory assets and other Qualified Costs filed by AEP Texas with the PUCT dated March 8, 2019 pursuant to the Securitization Law, or any subsequent similar Application of AEP Texas.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.), as amended from time to time.

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement and the Bill of Sale, the Certificate of Formation, the LLC Agreement, the Servicing Agreement, the Intercreditor Agreement, the Series Supplement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A to the Sale Agreement.

"Billed SRCs" is defined in Annex I to the Servicing Agreement.

"Billing Period" means the period created by dividing the calendar year into twelve (12) consecutive periods of approximately twenty-one (21) Servicer Business Days.

"Bills" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by AEP Texas or REPs or to REPs by AEP Texas on its own behalf and in its capacity as Servicer.

"Book-Entry Form" means, with respect to any System Restoration Bond, that such System Restoration Bond is not certificated and the ownership and transfers thereof shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture and the Series Supplement pursuant to which such System Restoration Bond was issued.

"Book-Entry System Restoration Bonds" means any System Restoration Bonds issued in Book-Entry Form; provided, however, that after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive System Restoration Bonds are to be issued to the Holder of such System Restoration Bonds, such System Restoration Bonds shall no longer be "Book-Entry System Restoration Bonds".

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Dallas, Texas, New York, New York, or Columbus, Ohio are, or DTC or the Corporate Trust Office is, authorized or obligated by law, regulation or executive order to remain closed.

"Calculation Period" means, with respect to any True-Up Adjustment, the period comprised of the twelve (12) succeeding Collection Periods beginning with the Collection Period in which a True-Up Adjustment would go into effect; provided that in the case of any True-Up Adjustment which will go into effect after the last Scheduled Final 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; and provided further that for the purpose of calculating the first Periodic Payment Requirement as of the Closing Date, "Calculation Period" means, initially, the period commencing on the Closing Date and ending on the last day of the billing cycle of August 2020.

"Cash Subaccount" is defined in Section 8.02(a) of the Indenture.

"Capital Contribution" means the amount of cash contributed to the Issuer by AEP Texas as specified in the LLC Agreement.

"Capital Subaccount" is defined in Section 8.02(a) of the Indenture.

"Certificate of Compliance" means the certificate referred to in Section 3.03 of the Servicing Agreement and substantially in the form of Exhibit B attached to the Servicing Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State of the State of Delaware on March 8, 2019 pursuant to which the Issuer was formed.

"Claim" means a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" means a securities broker, dealer, bank, trust company, clearing corporation or other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Bill" is defined in Annex I to the Servicing Agreement.

"Closing Date" means, September 18, 2019, the date on which the System Restoration Bonds are to be originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collection Account" means the account established and maintained by the Indenture Trustee in accordance with Section 8.02(a) of the Indenture and any subaccounts contained therein.

"Collection Period" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"Corporate Trust Office" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office (for all purposes other than registration of transfer of System Restoration Bonds) as of the Closing Date is located at 190 South LaSalle Street, 7th Floor, MK-IL-SL7R, Chicago, Illinois 60603, Attention: Corporate Trust Services/AEP Texas Central, Telephone: (312) 332-7496, Facsimile: (312) 332-7996, and for registration of transfers of System Restoration Bonds, the office as of the Closing Date is located at 111 E. Fillmore Avenue, St. Paul, Minnesota 55107, Attention: Bondholder Services, or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders of System Restoration Bonds and the Issuer, or the principal corporate trust office of any successor trustee by like notice.

"Covenant Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Customers" means all existing and future retail customers of AEP Texas and all other existing and future retail customers who are obligated to pay System Restoration Charges pursuant to any Financing Order or any Tariff.

"Daily Remittance" is defined in Section 6.11(a) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default as defined in Section 5.01 of the Indenture.

"Definitive System Restoration Bonds" means System Restoration Bonds issued in definitive form in accordance with Section 2.13 of the Indenture.

"Depositing REP" means a REP who provides a cash deposit pursuant to a Section 3.05(e) of the Servicing Agreement.

"Depositor" means AEP Texas, in its capacity as depositor of the Transition Property.

"DTC" means The Depository Trust Company or any successor thereto.

"Electronic Means" means telephone, telecopy, telegraph, telex, internet, electronic mail, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized herein.

"Eligible Account" means a segregated non-interest-bearing trust account with an Eligible Institution.

"Eligible Institution" means:

(a) the corporate trust department of the Indenture Trustee, so long as any of the securities of the Indenture Trustee have either a short-term credit rating from Moody's of at least P-1 or a long term unsecured 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 Indenture 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

(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), which (i) has either (A) a long-term issuer rating of "AA-" or higher by S&P and "A2" 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.

If so qualified under clause (b) above, the Indenture Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"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 Indenture Trustee, 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 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 System Restoration Bonds;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity, and other than commercial paper of AEP Texas 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 System Restoration Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its Affiliates is investment manager or advisor) from Moody's and S&P;

(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 shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments which mature in 30 days or more shall 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 A2 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 3 months shall 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 shall be an "Eligible Investment" unless the issuer thereof has a long-term unsecured debt rating of at least Aa3 from Moody's and a short-term unsecured debt rating of at least P1 from Moody's.

"ERCOT" means the Electric Reliability Council of Texas or any successor thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means with respect to any Person at any time, each trade or business (whether or not incorporated) that would, at that time, be treated together with such Person as a single employer under Section 401 of ERISA or Section 414(b), (c), (m) or (o) of the Code.

"Estimated SRC Collections" means the sum of the payments in respect of System Restoration Charges which are deemed to have been received by the Servicer, directly or indirectly (including through a REP), from or on behalf of Customers, calculated in accordance with Annex I of the Servicing Agreement.

"Event of Default" is defined in Section 5.01 of the Indenture.

"Excess Funds Subaccount" is defined in Section 8.02(a) of the Indenture.

"Excess Remittance" means the amount, if any, calculated for a particular Reconciliation Period, by which all Estimated SRC Collections remitted to the Collection Account during such Reconciliation Period exceed Actual SRC Collections received by the Servicer during such Reconciliation Period.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expected Amortization Schedule" means, with respect to any Tranche, the expected amortization schedule related thereto set forth in the Series Supplement.

"FDIC" means the Federal Deposit Insurance Corporation or any successor thereto.

"Federal Book-Entry Regulations" means 31 C.F.R. Part 357 et seq. (Department of Treasury).

"Federal Book-Entry Securities" means securities issued in book-entry form by the United States Treasury.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Servicer from three (3) federal funds brokers of recognized standing selected by it.

"FERC" means the Federal Energy Regulatory Commission or any successor thereto.

"Final" means, with respect to the Financing Order, that the Financing Order has become final, is not being appealed and that the time for filing an appeal therefrom has expired.

"Final Maturity Date" means, with respect to each Tranche of System Restoration Bonds, the Final Maturity Date therefor, as specified in the Series Supplement.

"Financial Asset" means "financial asset" as set forth in Section 8-102(a)(9) of the NY UCC.

"Financing Order" means the Final Financing Order dated June 17, 2019 issued by the PUCT pursuant to the Securitization Law, Docket No. 49308 authorizing the creation of the Transition Property.

"General Subaccount" is defined in Section 8.02(a) of the Indenture.

"Global System Restoration Bond" means a System Restoration Bond to be issued to the Holders thereof in Book-Entry Form, which Global System Restoration Bond shall be issued to the Clearing Agency, or its nominee, in accordance with Section 2.11 of the Indenture and the Series Supplement.

"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative function of government.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture and the Series Supplement. A Grant of the System Restoration Bond Collateral or of any other agreement or instrument included therein shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the System Restoration Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Hague Securities Convention" means the Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary, ratified September 28, 2016, S. Treaty Doc. No. 112-6 (2012).

"Holder" or "Bondholder" means the Person in whose name a System Restoration Bond is registered on the System Restoration Bond Register.

"Indemnified Losses" is defined in Section 5.03 of the Servicing Agreement.

"Indemnified Person" is defined in Section 6.02 of the Servicing Agreement.

"Indenture" means the Indenture, dated as of September 18, 2019, by and between the Issuer and U.S. Bank National Association, a national banking association, as Indenture Trustee and as Securities Intermediary as originally executed and, as from time to time supplemented or amended by the Series Supplement or indentures supplemental thereto entered into pursuant to the applicable provisions of the Indenture, as so supplemented or amended, or both, and shall include the forms and terms of the System Restoration Bonds established thereunder.

"Indenture Trustee" means U.S. Bank National Association, a national banking association, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee under the Indenture.

"Independent" means, when used with respect to any specified Person, that the Person (a) is in fact independent of the Issuer, any other obligor on the System Restoration Bonds, the Seller, the Servicer and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or Person performing similar functions.

"Independent Certificate" means a certificate or opinion to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Indenture Trustee, and such opinion or certificate shall state that the signer has read the definition of "Independent" in the Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" is defined in Section 4.01(a) of the LLC Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of the LLC Agreement.

"Initial Payment Date" is defined in Section 3 of the Series Supplement.

"Insolvency Event" means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"Insolvency Law" means any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect.

"Intercreditor Agreement" means the Second Amended and Restated Intercreditor Agreement, dated as of September 18, 2019, by and among the Issuer, AEP Texas, the Indenture Trustee, AEP Texas Central Transition Funding II LLC, The Bank of New York Mellon, AEP Texas Central Transition Funding III LLC and U.S. Bank National Association, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Interim True-Up Adjustment" means any adjustment to the System Restoration Charges made pursuant to the terms of the Tariff and in accordance with Section 4.01(b)(iii) or 4.01(b)(iv) of the Servicing Agreement.

"Interim True-Up Adjustment Date" means the effective date of any Interim True-Up Adjustment.

"Internal Revenue Service" means the Internal Revenue Service of the United States of America.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuance Advice Letter" means the Issuance Advice Letter filed with the PUCT pursuant to the Securitization Law and the Financing Order with respect to the System Restoration Bonds.

"Issuer" means AEP Texas Restoration Funding LLC, a Delaware limited liability company, named as such in the Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the System Restoration Bonds.

"Issuer Order" and "Issuer Request" mean a written order or request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Legal Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Letter of Representations" means any applicable agreement between the Issuer and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry System Restoration Bonds, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim, equity or encumbrance of any kind.

"LLC Act" means the Delaware Limited Liability Company Act, as amended.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of AEP Texas Restoration Funding LLC, dated as of June 12, 2019, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Loss" is defined in Section 1.01(b) of the Sale Agreement.

"Manager" means each manager of the Issuer under the LLC Agreement.

"Mandatory Interim True-Up Adjustment" means any Interim True-Up Adjustment made pursuant to Section 4.01(b)(iii) of the Servicing Agreement.

"Member" has the meaning specified in the first paragraph of the LLC Agreement.

"Minimum Denomination" means, with respect to any System Restoration Bond, the minimum denomination therefor specified in the Series Supplement, which minimum denomination shall be not less than $100,000, except for one System Restoration Bond of each tranche which may be of smaller denomination, and, except as otherwise provided in the Series Supplement, integral multiples thereof.

"Monthly Servicer's Certificate" means a certificate, substantially in the form of Exhibit A to the Servicing Agreement, completed and executed by a Responsible Officer of the Servicer pursuant to Section 3.01(b)(i) of the Servicing Agreement.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto. References to Moody's are effective so long as Moody's is a Rating Agency.

"Non-Standard True-Up Adjustment" means any special adjustment to the System Restoration Charges to reallocate, under the circumstances contemplated by paragraph 85 of the Findings of Fact in the Financing Order, the amounts of such System Restoration Charges among SRC Customer Classes pursuant to the terms of the Tariff in the third paragraph under the heading "True-Up Adjustment Procedure" and in accordance with Section 4.01(b)(ii) of the Servicing Agreement.

"Non-Standard True-Up Adjustment Date" means the earlier of (i) the date revised System Restoration Charges are approved and effective pursuant to a final order of the PUCT in the related Non-Standard True-Up Adjustment proceeding and (ii) the commencement date of the first billing cycle of September of the applicable year, commencing in September 2020.

"Notice of Default" is defined in Section 5.01 of the Indenture.

"NY UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Officer's Certificate" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, and delivered to the Indenture Trustee. Unless otherwise specified, any reference in the Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Responsible Officer of the party delivering such certificate.

"Operating Expenses" means all unreimbursed fees, costs and expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee, any Manager, the Servicing Fee, the Administration Fee, legal and accounting fees, Rating Agency fees, costs and expenses of the Issuer and AEP Texas and any franchise taxes owed on investment income in the Collection Account.

"Opinion of Counsel" means one or more written opinions of counsel who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party. Any Opinion of Counsel may be based, insofar as it relates to factual matters (including financial and capital markets), upon a certificate or opinion or, or representations by, an officer or officer of the Servicer or the Issuer and other documents necessary and advisable in the judgment of counsel delivering such opinion.

"Optional Interim True-Up Adjustment" means any Interim True-Up Adjustment made pursuant to Section 4.01(b) (iv) of the Servicing Agreement.

"Outstanding" means, as of the date of determination, all System Restoration Bonds theretofore authenticated and delivered under this Indenture except:

(a) System Restoration Bonds theretofore canceled by the System Restoration Bond Registrar or delivered to the System Restoration Bond Registrar for cancellation;

(b) System Restoration Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such System Restoration Bonds; and

(c) System Restoration Bonds in exchange for or in lieu of other System Restoration Bonds which have been issued pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such System Restoration Bonds are held by a Protected Purchaser;

provided that in determining whether the Holders of the requisite Outstanding Amount of the System Restoration Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, System Restoration Bonds owned by the Issuer, any other obligor upon the System Restoration Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only System Restoration Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. System Restoration Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such System Restoration Bonds and that the pledgee is not the Issuer, any other obligor upon the System Restoration Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all System Restoration Bonds or, if the context requires, all System Restoration Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent" means with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the System Restoration Bonds pursuant to the Indenture.

"Payment Date" means, with respect to any Tranche of System Restoration Bonds, the dates specified in the Series Supplement; provided that if any such date is not a Business Day, the Payment Date shall be the Business Day immediately succeeding such date.

"Periodic Billing Requirement" means, for any Calculation Period, the aggregate amount of System Restoration Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirement on a timely basis.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Series Supplement.

"Periodic Payment Requirement" for any Calculation Period means the total dollar amount of SRC Collections reasonably calculated by the Servicer in accordance with Section 4.01 of the Servicing Agreement as necessary to be received during such 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 System Restoration Bonds at the end of such Calculation Period and including any shortfalls in Periodic Payment Requirements for any prior Calculation Period) in order to ensure that, as of the last Payment Date occurring in such Calculation Period, (1) all accrued and unpaid interest on the System Restoration Bonds then due shall have been paid in full on a timely basis, (2) the Outstanding Amount of the System Restoration Bonds is equal to the Projected Unrecovered Balance on each Payment Date during such Calculation Period, (3) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level and (4) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided that, with respect to any Annual True-Up Adjustment or Interim True-Up Adjustment occurring after the last Scheduled Final Payment Date for the System Restoration Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient System Restoration Charges will be collected to retire the System Restoration Bonds in full as of the next Payment Date.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of System Restoration Bonds over the outstanding Unrecovered Balance specified for such Payment Date on the Expected Amortization Schedule.

"Permitted Lien" means the Lien created by the Indenture.

"Permitted Successor" is defined in Section 5.02 of the Sale Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor System Restoration Bond" means, with respect to any particular System Restoration Bond, every previous System Restoration Bond evidencing all or a portion of the same debt as that evidenced by such particular System Restoration Bond, and, for the purpose of this definition, any System Restoration Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen System Restoration Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen System Restoration Bond.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Unrecovered Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of System Restoration Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Prospectus" means the prospectus dated September 11, 2019 relating to the System Restoration Bonds.

"Protected Purchaser" has the meaning specified in Section 8-303 of the UCC.

"PUCT" means the Public Utility Commission of Texas, or any Governmental Authority succeeding to the duties of such agency.

"PUCT Regulations" means the regulations, including proposed or temporary regulations, promulgated under the Utilities Code.

"Qualified Costs" means all qualified costs as defined in Section 39.302 (as modified by Section 36.403(f)) of the Utilities Code.

"Rating Agency" , with respect to any Tranche of System Restoration Bonds, means any of Moody's or Standard & Poor's which provides a rating with respect to the System Restoration Bonds. If no such organization or successor is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Rating Agency Condition" means, with respect to any action, not less than ten (10) Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of Standard & Poor's and Moody's to the Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of System Restoration Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Issuer that such action has resulted or would result in the suspension, reduction or withdrawal of the then current rating of any Tranche of System Restoration Bonds; provided, that if within such ten (10) Business Day period, any Rating Agency (other than Standard & Poor's) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five (5) Business Days following such second (2nd) request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. 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).

"Reconciliation Period" means, with respect to any Collection Period, the twelve-month period ending the first day of such Collection Period; provided, that the initial Reconciliation Period shall commence on the Closing Date and that a shorter Reconciliation Period may be established pursuant to Section 8.01(b) of the Servicing Agreement.

"Record Date" means, with respect to a Payment Date, in the case of Definitive System Restoration Bonds, the close of business on the last day of the calendar month preceding the calendar month in which such Payment Date occurs, and in the case of Book-Entry System Restoration Bonds, one Business Day prior to the applicable Payment Date.

"Registered Holder" means the Person in whose name a System Restoration Bond is registered on the System Restoration Bond Register.

"Registration Statement" means the registration statement, Form SF-1 Registration Nos. 333-232430 and 333-232430-01, filed with the SEC for registration under the Securities Act relating to the offering and sale of the System Restoration Bonds, and including all amendments thereto.

"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.

"Remittance Requirement" means, with respect to any Third-Party Collector, the requirement that such Third-Party Collector remit System Restoration Charges to the Servicer within a prescribed number of days of billing by the Servicer in accordance with, if applicable, the Financing Order, Tariff, other tariffs and any other PUCT Regulations.

"Remittance Shortfall" means the amount, if any, calculated for a particular Reconciliation Period, by which Actual SRC Collections received by the Servicer during such Reconciliation Period exceed all Estimated SRC Collections remitted to the Collection Account during such Reconciliation Period.

"REP" means a retail electric provider as defined in Section 31.002(17) of the Utilities Code and shall include any REP that acts as the provider of last resort.

"REP Credit Requirements" means the credit and collection policies applicable to REPs under the Financing Order, Tariff and other PUCT Regulations.

"REP Deposit Accounts" is defined in Section 8.02(g) of the Indenture.

"REP Deposit Requirements" means the deposit, credit rating and alternative credit support requirements applicable to REPs under the Financing Order, Tariff and other PUCT Regulations.

"Required Capital Level" means an amount equal to 0.50% of the initial principal amount of the System Restoration Bonds, or such other amount as may be permitted or required under the Financing Order and applicable Internal Revenue Service rulings, deposited into the Capital Subaccount by the Member prior to or upon the issuance of the System Restoration Bonds.

"Requirement of Law" means any foreign, federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

"Responsible Officer" means with respect to (a) the Issuer, any Manager or any duly authorized officer; (b) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, Assistant Vice President, Secretary or Assistant Treasurer, Trust Officer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively), and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject; (c) any corporation (other than the Indenture Trustee), the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (d) any partnership, any general partner thereof; and (e) any other Person (other than an individual or the Indenture Trustee), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"Retirement of the System Restoration Bonds" means any day on which the final distribution is made to the Indenture Trustee in respect of the last Outstanding System Restoration Bonds.

"Sale Agreement" means the Transition Property Purchase and Sale Agreement, dated as of September 18, 2019, by and between AEP Texas and the Issuer, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Scheduled Final Payment Date" means with respect to each Tranche of System Restoration Bonds, the date when all interest and principal is scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Series Supplement. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche. The "last Scheduled Final Payment Date" means the Scheduled Final Payment Date of the last maturing Tranche of System Restoration Bonds.

"Scheduled Payment Date" is defined in the Series Supplement with respect to each Tranche of System Restoration Bonds.

"SEC" means the U.S. Securities and Exchange Commission.

"Secretary of State" means the Secretary of State of the State of Delaware or the Secretary of State of the State of Texas, as the case may be, or any Governmental Authority succeeding to the duties of such offices.

"Secured Obligations" is defined in the Series Supplement, a form of which is attached as Exhibit B to the Indenture.

"Secured Parties" means the Indenture Trustee, the Bondholders and any credit enhancer described in the Series Supplement.

"Securities Account" means the Collection Account (to the extent it constitutes a securities account as defined in the NY UCC and Federal Book-Entry Regulations).

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Intermediary" means U.S. Bank National Association, a national banking association, solely in the capacity of a "securities intermediary" as defined in the NY UCC and Federal Book-Entry Regulations or any successor securities intermediary under the Indenture.

"Securitization Law" means Subchapter I of Chapter 36 of the Texas Utilities Code, §§ 36.401-36-406 and Subchapter G of Chapter 39 of the Texas Utilities Code, §§ 39.301 -39.313, in each case as amended from time to time.

"Security Entitlement" means "security entitlement" (as defined in Section 8-102(a)(17) of the NY UCC) with respect to Financial Assets now or hereafter credited to the Securities Account and, with respect to Federal Book-Entry Regulations, with respect to Federal Book-Entry Securities now or hereafter credited to the Securities Account, as applicable.

"Seller" is defined in the preamble to the Sale Agreement.

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as Exhibit B to the Indenture that authorizes the issuance of the System Restoration Bonds.

"Servicer" means AEP Texas, as Servicer under the Servicing Agreement, or any successor Servicer to the extent permitted under the Servicing Agreement.

"Servicer Business Day" means any day other than a Saturday, Sunday or holiday on which the Servicer maintains normal office hours and conducts business.

"Servicer Default" is defined in Section 7.01 of the Servicing Agreement.

"Servicer's Certificate" means a certificate, substantially in the form of Exhibit B to the Servicing Agreement, completed and executed by a Responsible Officer of the Servicer pursuant to Section 4.01(c)(ii) of the Servicing Agreement.

"Servicing Agreement" means the Transition Property Servicing Agreement, dated as of September 18, 2019, by and between the Issuer and AEP Texas, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Servicing Fee" means the fee payable to the Servicer on each Payment Date for services rendered during the period from, but not including, the preceding Payment Date (or from the Closing Date in the case of the first Payment Date) to and including the current Payment Date, determined pursuant to Section 6.06 of the Servicing Agreement.

"Servicing Standard" means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the Transition Property, including SRC Payments, and all other System Restoration Bond Collateral for the benefit of the Issuer and the Holders (i) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (ii) in accordance with all applicable procedures and requirements established by the PUCT for collection of electric utility tariffs and (iii) in accordance with the other terms of the Servicing Agreement.

"Special Member" is defined in Section 1.02(b) of the LLC Agreement.

"Special Payment" means with respect to any Tranche of System Restoration Bonds, any payment of principal of or interest on (including any interest accruing upon default), or any other amount in respect of, the System Restoration Bonds of such Tranche 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 Indenture Trustee to the Holders.

"Special Record Date" means with respect to any Special Payment Date, the close of business on the fifteenth (15^{th}) day (whether or not a Business Day) preceding such Special Payment Date.

"Sponsor" means AEP Texas, in its capacity as "sponsor" of the System Restoration Bonds within the meaning of Regulation AB.

"SRC Collections" means System Restoration Charges received by the Servicer to be remitted to the Collection Account.

"SRC Customer Class" means each customer class identified as a separate rate class in the Tariff.

"SRC Payments" means the payments made by Customers based on the System Restoration Charges.

"Standard & Poor's" or "S&P" means Standard & Poor's Ratings Group, Inc., or any successor thereto. References to S&P are effective so long as S&P is a Rating Agency.

"State" means any one of the fifty states of the United States of America or the District of Columbia.

"State Pledge" means the pledge of the State of Texas as set forth in Section 39.310 of the Securitization Law.

"Subaccounts" is defined in Section 8.02(a) of the Indenture.

"Successor Servicer" is defined in Section 3.07(e) of the Indenture.

"System Restoration Bond Collateral" has the meaning specified in the preamble of the Indenture.

"System Restoration Bond Interest Rate" means, with respect to any Tranche of System Restoration Bonds, the rate at which interest accrues on the System Restoration Bonds of such Tranche, as specified in the Series Supplement.

"System Restoration Bond Register" means the register maintained pursuant to Section 2.05 of the Indenture, providing for the registration of the System Restoration Bonds and transfers and exchanges thereof.

"System Restoration Bond Registrar" means the registrar at any time of the System Restoration Bond Register, appointed pursuant to Section 2.05 of the Indenture.

"System Restoration Bonds" means the System Restoration Bonds authorized by the Financing Order and issued under the Indenture.

"System Restoration Charge" means any transition charge as defined in Section 36.403(f) of the Securitization Law which is authorized by the Financing Order.

"Tariff" means the Tariff filed with the PUCT pursuant to the Securitization Law to evidence the System Restoration Charges pursuant to the Financing Order.

"Temporary System Restoration Bonds" means System Restoration Bonds executed, and upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive System Restoration Bonds pursuant to Section 2.04 of the Indenture.

"Termination Notice" is defined in Section 7.01 of the Servicing Agreement.

"Texas AEP Central Division" means the geographical certificated service area that was formerly serviced by AEP Texas' predecessor-in-interest, AEP Texas Central Company, as it existed on the date of the Financing Order.

"Third-Party Collector" means each third party, including each REP, which, pursuant to the Tariff, any other tariffs filed with the PUCT, or any agreement with AEP Texas, is obligated to bill, pay or collect System Restoration Charges.

"Tranche" means any one of the tranches of System Restoration Bonds.

"Transition Property" means all transition property as defined in Section 39.302(8) of the Securitization Law created pursuant to the Financing Order and sold or otherwise conveyed to the Issuer under the Sale Agreement, including the right to impose, collect and receive the System Restoration Charges authorized in the Financing Order. As used in the Basic Documents, the term "Transition Property" when used with respect to AEP Texas includes the contract rights of AEP Texas that exist prior to the time that such rights are first transferred in connection with the issuance of the System Restoration Bonds, at which time they become transition property in accordance with Section 39.304 of the Securitization Law.

"Transition Property Notices" means transition property notices filed with the Secretary of State of Texas pursuant to Section 39.309 of the Securitization Law.

"Transition Property Records" is defined in Section 5.01 of the Servicing Agreement.

"Treasury Regulations" means the regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

"True-Up Adjustment" means any Annual True-Up Adjustment, Interim True-Up Adjustment or Non-Standard True-Up Adjustment, as the case may be.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, as in force on the Closing Date, unless otherwise specifically provided.

"UCC" means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended from time to time.

"Underwriters" means the underwriters who purchase System Restoration Bonds of any Tranche from the Issuer and sell such System Restoration Bonds in a public offering.

"Underwriting Agreement" means the Underwriting Agreement, dated as of September 11, 2019, by and among AEP Texas, the representatives of the several Underwriters named therein and the Issuer, as the same may be amended, supplemented or modified from time to time.

"Unrecovered Balance" means, as of any Payment Date, the sum of the outstanding principal amount of the System Restoration Bonds less the amount in the Excess Funds Subaccount available to make principal payments on the System Restoration Bonds.

"Utilities Code" means the Texas Utilities Code, as amended from time to time.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the option of the issuer thereof.

"Weighted Average Days Outstanding" means the weighted average number of days AEP Texas' monthly bills to REPs (or if AEP Texas bills retail customers directly, to retail customers) remain outstanding during the calendar year immediately preceding the calculation thereof pursuant to Section 4.01(b)(i) of the Servicing Agreement. The initial Weighted Average Days Outstanding shall be thirty-five (35) days until updated pursuant to Section 4.01(b)(i) of the Servicing Agreement.

B. Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles. To the extent that the definitions of accounting terms in any Basic Document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained in such Basic Document shall control. As used in the Basic Documents, the term "including" means "including without limitation," and other forms of the verb "to include" have correlative meanings. All references to any Person shall include such Person's permitted successors.

C. Computation of Time Periods. Unless otherwise stated in any of the Basic Documents, as the case may be, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

D. Reference; Captions. The words "hereof", "herein" and "hereunder" and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document; and references to "Section", "subsection", "Schedule" and "Exhibit" in any Basic Document are references to Sections, subsections, Schedules and Exhibits in or to such Basic Document unless otherwise specified in such Basic Document. The various captions (including the tables of contents) in each Basic Document are provided solely for convenience of reference and shall not affect the meaning or interpretation of any Basic Document.

E. The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

EXHIBIT 10.1

TRANSITION PROPERTY SERVICING AGREEMENT

by and between

AEP TEXAS RESTORATION FUNDING LLC,

Issuer

and

AEP TEXAS INC.,

Servicer

Dated as of September 18, 2019

TABLE OF CONTENTS

This TRANSITION PROPERTY SERVICING AGREEMENT (this "Agreement"), dated as of September 18, 2019, is between AEP TEXAS RESTORATION FUNDING LLC, a Delaware limited liability company, as issuer (the "Issuer"), and AEP TEXAS INC. ("AEP Texas"), a Delaware corporation, as servicer (the "Servicer").

RECITALS

WHEREAS, pursuant to the Securitization Law and the Financing Order, AEP Texas, in its capacity as seller (the "Seller"), and the Issuer are concurrently entering into the Sale Agreement pursuant to which the Seller is selling and the Issuer is purchasing certain Transition Property created pursuant to the Securitization Law and the Financing Order described therein;

WHEREAS, in connection with its ownership of the Transition Property and in order to collect the associated System Restoration Charges, the Issuer desires to engage the Servicer to carry out the functions described herein (such functions or similar functions currently performed by the Servicer for itself with respect to its own charges to its customers and for AEP Texas Central Funding II LLC and AEP Texas Central Funding III LLC with respect to two prior transactions under the Securitization Law) and the Servicer desires to be so engaged;

WHEREAS, the Issuer desires to engage the Servicer to act on its behalf in obtaining Annual True-Up Adjustments, Non-Standard True-Up Adjustments and Interim True-Up Adjustments from the PUCT and the Servicer desires to be so engaged;

WHEREAS, the SRC Collections initially will be commingled with other funds collected by the Servicer;

WHEREAS, certain parties may have an interest in such commingled collections, and such parties have entered into an Intercreditor Agreement that allows AEP Texas to allocate the collected, commingled funds according to each party's interest; and

WHEREAS, the PUCT, or its attorney, will enforce this Agreement for the benefit of the Customers to the extent permitted by law;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in that certain Indenture (including Appendix A thereto) dated as of the date hereof between the Issuer and U.S. Bank National Association, a national banking association, in its capacity as the indenture trustee (the "Indenture Trustee") and in its separate capacity as a securities intermediary (the "Securities Intermediary"), as the same may be amended, restated, supplemented or otherwise modified from time to time.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit, Annex and Attachment references contained in this Agreement are references to Sections, Schedules, Exhibits, Annexes and Attachments in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(e) Non-capitalized terms used herein which are defined in the Utilities Code shall, as the context requires, have the meanings assigned to such terms in the Utilities Code, but without giving effect to amendments to the Utilities Code after the date hereof which have a material adverse effect on the Issuer or the Holders.

ARTICLE II
APPOINTMENT AND AUTHORIZATION

SECTION 2.01. Appointment of Servicer; Acceptance of Appointment. The Issuer hereby appoints the Servicer, and the Servicer, as an independent contractor, hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

SECTION 2.02. Authorization. With respect to all or any portion of the Transition Property, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any Governmental Authority, including with the PUCT. The Issuer shall execute and deliver to the Servicer such documents as have been prepared by the Servicer for execution by the Issuer and shall furnish the Servicer with such other documents as may be in the Issuer's possession, in each case as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

SECTION 2.03. Dominion and Control Over the Transition Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the Transition Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the Transition Property and the Transition Property Records. The Servicer shall not take any action that is not authorized by this Agreement, that would contravene the Utilities Code, the PUCT Regulations or the Financing Order, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer in the Transition Property, in each case unless such action is required by applicable law or court or regulatory order.

ARTICLE III
ROLE OF SERVICER

SECTION 3.01. Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally. The Servicer's duties in general shall include management, servicing and administration of the Transition Property; obtaining meter reads, calculating usage (including demand and including any such usage by Customers served by a REP), billing, collections and posting of all payments in respect of the Transition Property; responding to inquiries by Customers, REPs, the PUCT, or any other Governmental Authority with respect to the Transition Property; delivering Bills to Customers or REPs; investigating and handling delinquencies (and furnishing reports with respect to such delinquencies to the Issuer), processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Indenture Trustee and the Rating Agencies; making all filings with the PUCT and taking such other action as may be necessary to perfect the Issuer's ownership interests in and the Indenture Trustee's first priority Lien on and security interest in the Transition Property; making all filings and taking such other action as may be necessary to perfect and maintain the perfection and priority of the Indenture Trustee's Lien on and security interest in all System Restoration Bond Collateral; selling as the agent for the Issuer as its interests may appear defaulted or written off accounts in accordance with the Servicer's usual and customary practices; taking all necessary action in connection with True-Up Adjustments as set forth herein; and performing such other duties as may be specified under the Financing Order to be performed by it. Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by any PUCT Regulations, the Financing Order, and the federal securities laws and the rules and regulations promulgated thereunder, including without limitation, Regulation AB, as in effect at the time such duties are to be performed. Without limiting the generality of this Section 3.01(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collections, payment processing and remittance set forth in Annex I hereto, as it may be amended from time to time. For the avoidance of doubt, the term "usage" when used herein refers to both kilowatt hour consumption and kilowatt demand.

(b) Reporting Functions.

(i) Monthly Servicer's Certificate. On or before the twenty-fifth calendar day of each month (or if such day is not a Servicer Business Day, on the immediately preceding Servicer Business Day), the Servicer shall prepare and deliver to the Issuer, the Indenture Trustee and the Rating Agencies a written report substantially in the form of Exhibit A hereto (a "Monthly Servicer's Certificate") setting forth certain information relating to SRC Payments received by the Servicer during the Collection Period immediately preceding such date; provided, however, that for any month in which the Servicer is required to deliver a Servicer's Certificate pursuant to Section 4.01(c)(ii), the Servicer shall prepare and deliver the Monthly Servicer's Certificate no later than the date of delivery of such Servicer's Certificate.

(ii) Notification of Laws and Regulations. The Servicer shall immediately notify the Issuer, the Indenture Trustee and the Rating Agencies in writing of any Requirements of Law or PUCT Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.

(iii) Other Information. Upon the reasonable request of the Issuer, the Indenture Trustee or any Rating Agency, the Servicer shall provide to the Issuer, the Indenture Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Transition Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law to enable the Issuer, the Indenture Trustee or the Rating Agencies to monitor the performance by the Servicer hereunder; provided, however, that any such request by the Indenture Trustee shall not create any obligation for the Indenture Trustee to monitor the performance of the Servicer. In addition, so long as any of the System Restoration Bonds are outstanding, the Servicer shall provide the Issuer and the Indenture Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the System Restoration Charges applicable to each SRC Customer Class.

(iv) Preparation of Reports. The Servicer shall prepare and deliver such additional reports as required under this Agreement, including a copy of each Servicer's Certificate described in Section 4.01(c)(ii), the annual Certificate of Compliance described in Section 3.03, and the Annual Accountant's Report described in Section 3.04. In addition, the Servicer shall prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with the SEC (and/or any other Governmental Authority) by the Issuer or the Depositor under the federal securities or other applicable laws or in accordance with the Basic Documents, including, but without limiting the generality of foregoing, filing with the SEC, if applicable and required by applicable law, a copy or copies of (i) the Monthly Servicer's Certificates described in Section 3.01(b)(i) (under Form 10-D or any other applicable form), (ii) the Servicer's Certificates described in Section 4.01(c)(ii) (under Form 10-D or any other applicable form), (iii) the annual statements of compliance, attestation reports and other certificates described in Section 3.03, and (iv) the Annual Accountant's Report (and any attestation required under Regulation AB) described in Section 3.04. In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Servicer) sign the Depositor's annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the federal securities laws and/or any other applicable law.

(c) Opinions of Counsel. The Servicer shall deliver to the Issuer and the Indenture Trustee:

(i) promptly after the execution and delivery of this Agreement and of each amendment hereto, an Opinion of Counsel from external counsel of the Issuer either (A) to the effect that, in the opinion of such counsel, all filings, including filings with the PUCT and the Texas Secretary of State and all filings pursuant to the UCC, that are necessary under the UCC and the Securitization Law to perfect or maintain, as applicable, the Liens of the Indenture Trustee in the Transition Property have been authorized, executed and filed, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens; and

(ii) within ninety (90) days after the beginning of each calendar year beginning with the first calendar year beginning more than three (3) months after the date hereof, an Opinion of Counsel from external counsel of the Issuer, dated as of a date during such ninety (90)-day period, either (A) to the effect that, in the opinion of such counsel, all filings, including filings with the PUCT and the Texas Secretary of State and all filings pursuant to the UCC, have been executed and filed that are necessary under the UCC and the Securitization Law to maintain the Liens of the Indenture Trustee in the Transition Property, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens.

Each Opinion of Counsel referred to in clause (i) or (ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to perfect or maintain, as applicable, such interest or Lien.

SECTION 3.02. Servicing and Maintenance Standards. On behalf of the Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the Transition Property with reasonable care and in material compliance with applicable Requirements of Law, including all applicable PUCT Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in Texas in performing its duties as Servicer; (c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce, and maintain rights in respect of, the Transition Property and to bill and collect the System Restoration Charges; (d) comply with all Requirements of Law, including all applicable PUCT Regulations and guidelines, applicable to and binding on it relating to the Transition Property; (e) file all PUCT notices described in the Securitization Law and file and maintain the effectiveness of UCC financing statements with respect to the property transferred under the Sale Agreement, and (f) take such other action on behalf of the Issuer to ensure that the Lien of the Indenture Trustee on the System Restoration Bond Collateral remains perfected and of first priority. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the Transition Property, which, in the Servicer's judgment, may include the taking of legal action, at the Issuer's expense but subject to the priority of payments set forth in Section 8.02(e) of the Indenture.

SECTION 3.03. Annual Reports on Compliance with Regulation AB.

(a) The Servicer shall deliver to the Issuer, the Indenture Trustee and the Rating Agencies, on or before the earlier of (a) March 31 of each year or (b) with respect to each calendar year during which the Depositor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, certificates from a Responsible Officer of the Servicer (i) containing, and certifying as to, the statements of compliance required by Item 1123 (or any successor or similar items or rule) of Regulation AB, as then in effect and (ii) containing, and certifying as to, the statements and assessment of compliance required by Item 1122(a) (or any successor or similar items or rule) of Regulation AB, as then in effect. These certificates may be in the form of, or shall include the forms attached hereto as Exhibit C-1 and Exhibit C-2 hereto, with, in the case of Exhibit C-1, such changes as may be required to conform to the applicable securities law.

(b) The Servicer shall use commercially reasonable efforts to obtain from each other party participating in the servicing function any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the extent required in connection with the filing of the annual report on Form 10-K; provided, however, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Indenture Trustee's certifications shall be limited to the Item 1122 certifications described in Exhibit C of the Indenture.

(c) The initial Servicer, in its capacity as Depositor, shall post on its website and file with or furnish to the SEC, in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the information described in Section 3.07(g) of the Indenture to the extent such information is reasonably available to the Depositor. Except to the extent permitted by applicable law, the initial Servicer, in its capacity as Depositor, shall not voluntarily suspend or terminate its filing obligations as Depositor with the SEC as described in this Section 3.03(c). The covenants of the initial Servicer, in its capacity as Depositor, pursuant to this Section 3.03(c) shall survive the resignation, removal or termination of the initial Servicer as Servicer hereunder.

SECTION 3.04. Annual Report by Independent Registered Public Accountants.

(a) The Servicer, at its own expense in partial consideration of the Servicing Fee paid to it, shall cause a firm of Independent registered public accountants (which may provide other services to the Servicer or the Seller) to prepare annually, and the Servicer shall deliver annually to the Issuer, the Indenture Trustee and the Rating Agencies on or before the earlier of (a) March 31 of each year, beginning March 31, 2020, or (b) with respect to each calendar year during which the Depositor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, a report (the "Annual Accountant's Report") regarding the Servicer's assessment of compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB during the immediately preceding twelve (12) months ended December 31 (or, in the case of the first Annual Accountant's Report to be delivered on or before March 31, 2020, the period of time from the date of this Agreement until December 31, 2019), in accordance with paragraph (b) of Rule 13a-18 and Rule 15d-18 of the Exchange Act and Item 1122 of Regulation AB. Such report shall be signed by an authorized officer of the Servicer and shall at a minimum address each of the servicing criteria specified in Exhibit C-1. In the event that the accounting firm providing such report requires the Indenture Trustee to agree or consent to the procedures performed by such firm, the Issuer shall direct the Indenture Trustee in writing to so agree; it being understood and agreed that the Indenture Trustee will deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer, and the Indenture Trustee will not make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of the sufficiency, validity or correctness of such procedures.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer in accordance with the Rules of the Public Company Accounting Oversight Board, and shall include any attestation report required under Item 1122(b) of Regulation AB (or any successor or similar items or rule), as then in effect.

SECTION 3.05. Monitoring of Third-Party Collectors. From time to time, until the Retirement of the System Restoration Bonds, the Servicer shall, in accordance with the Servicing Standard, take all actions with respect to Third-Party Collectors required to be taken by the Servicer as set forth, if applicable, in any agreement with the Servicer, the Financing Order, Tariff, other tariffs and any other PUCT Regulations in effect from time to time and implement such additional procedures and policies as are necessary to ensure that the obligations of all Third-Party Collectors in connection with System Restoration Charges are properly enforced in accordance with, if applicable, the terms of any agreement with the Servicer, the Financing Order, Tariff, other tariffs and any other PUCT Regulations in effect from time to time. Such procedures and policies shall include the following:

(a) Maintenance of Records and Information. In addition to any actions required by the Tariff, PUCT Regulations or other applicable law, the Servicer shall:

(i) maintain adequate records for promptly identifying and contacting each Third-Party Collector;

(ii) maintain records of end-user Customers which are billed by Third-Party Collectors to permit prompt transfer of billing responsibilities in the event of default by such Third-Party Collectors;

(iii) maintain adequate records for enforcing compliance by all Third-Party Collectors with their obligations with respect to System Restoration Charges, including compliance with all Remittance Requirements, REP Credit Requirements and REP Deposit Requirements; and

(iv) provide to each Third-Party Collector such information necessary for such Third-Party Collector to confirm the Servicer's calculation of System Restoration Charges and remittances, including, if applicable, charge-off amounts.

The Servicer shall update the records described above no less frequently than quarterly.

(b) Credit and Collection Policies. The Servicer shall, to the fullest extent permitted under the Financing Order, impose such terms with respect to credit and collection policies applicable to Third-Party Collectors as may be reasonably necessary to prevent the then-current rating of the System Restoration Bonds from being downgraded, withdrawn or suspended. The Servicer shall, in accordance with and to the extent permitted by the Utilities Code, applicable PUCT Regulations and the terms of the Financing Order, include and impose the above-described terms in any tariffs filed under the Utilities Code which would allow REPs or other utilities to issue single bills which include System Restoration Charges to AEP Texas' Customers. The Servicer shall periodically review the need for modified or additional terms based upon, among other things, (i) the relative amount of SRC Payments received through REPs relative to the Periodic Billing Requirement, (ii) the historical payment and default experience of each REP and (iii) such other credit and collection policies to which the REPs are subject, and if permitted by applicable law, will set out any such modified or additional terms in a supplemental tariff filed with the PUCT.

(c) Monitoring of Performance and Payment by REPs. In addition to any actions required by the Tariff, PUCT Regulations or other applicable law, the Servicer shall undertake to do the following:

(i) The Servicer shall require each REP to pay all System Restoration Charges (less any applicable charge-off allowances) billed to such REP in accordance with the provisions of the Tariff, other tariffs and PUCT Regulations (whether or not disputed). The Servicer shall monitor compliance by each REP with all Remittance Requirements, REP Credit Requirements and REP Deposit Requirements and take prompt action to enforce such requirements.

(ii) Where a REP is responsible for billing the Customers, the Servicer shall, consistent with its customary billing practices, bill each Applicable REP no less frequently than the billing cycle otherwise applicable to such Customers.

(iii) The Servicer shall work with REPs to resolve any disputes using the dispute resolution procedures established in the Tariff and any PUCT Regulations, in accordance with the Servicing Standard.

(d) Enforcement of REP Obligations. The Servicer shall, in accordance with the terms of the Tariff, ensure that each REP remits all SRC Payments which it is obligated to remit to the Servicer. In the event of any default by any REP, the Servicer shall enforce all rights set forth in and take all other steps permitted by, if applicable, the Financing Order, Tariff, other tariffs and any other PUCT Regulations as it determines, in accordance with the Servicing Standard, are reasonably necessary to ensure the prompt payment of SRC Payments by such REP and to preserve the rights of the Holders with respect thereto, including, where appropriate, terminating the right of any REP to bill and collect System Restoration Charges or petitioning the PUCT to impose such other remedies or penalties as may be available under the circumstances. Any agreement entered into between the Servicer and a defaulted REP will be limited to the terms of this Agreement and will satisfy the Rating Agency Condition. In the event the Servicer has actual knowledge that a REP is in default, including due to the downgrade by the Rating Agencies of any party providing credit support for such REP, the Servicer shall promptly notify a Responsible Officer of the Indenture Trustee in writing of the same and, shall, if applicable, instruct the Indenture Trustee either to:

(i) withdraw from such REP's REP Deposit Account and deposit into the Collection Account the lesser of (x) the amount of cash on deposit in such REP Deposit Account and allocable to the Transition Property at such time and (y) the amount of any System Restoration Charges then due and payable by such REP; or

(ii) make demand under any letter of credit, guarantee or other credit support up to the lesser of (x) the amount of such letter of credit, guarantee or other credit support and (y) the amount of any System Restoration Charges then due and payable by such REP, and forward the amounts received, if any, as a result of such demand to the Collection Account.

The Indenture Trustee shall, within two (2) Business Days of receipt of such written notice, withdraw such funds from the REP Deposit Account or make demand under such credit support, as applicable, and deposit such funds withdrawn or received, as applicable, into the Collection Account.

(e) Maintenance of REP Deposit Accounts. The Servicer shall cause the entity acting as Indenture Trustee to maintain one or more REP Deposit Accounts as described in Section 8.02(g) of the Indenture. The Servicer shall provide written direction to the Indenture Trustee regarding the allocation and release of funds on deposit in the REP Deposit Accounts, as permitted or required by the Indenture, this Agreement, the Intercreditor Agreement, or the Financing Order, Tariff or PUCT Regulations. The Indenture Trustee shall be entitled to conclusively rely on any such written directions from the Servicer, and the Indenture Trustee shall have no duty to monitor the adequacy of amounts on deposit in any REP Deposit Account.

(f) Affiliated Third-Party Collectors. In performing its obligations under this Section 3.05, the Servicer shall deal with any Third-Party Collectors which are Affiliates of the Servicer on terms which are no more favorable in the aggregate to such affiliated Third-Party Collector than those used by the Servicer in its dealings with Third-Party Collectors that are not affiliates of the Servicer.

ARTICLE IV
SERVICES RELATED TO TRUE-UP ADJUSTMENTS

SECTION 4.01. True-Up Adjustments. From time to time, until the Retirement of the System Restoration Bonds, the Servicer shall identify the need for Annual True-Up Adjustments, Mandatory Interim True-Up Adjustments, Optional Interim True-Up Adjustments and Non-Standard True-Up Adjustments and shall take all reasonable action to obtain and implement such True-Up Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the System Restoration Bonds is attached hereto as Schedule 4.01(a). If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Indenture Trustee and the Rating Agencies promptly thereafter.

(b) True-Up Adjustments.

(i) Annual True-Up Adjustments and Filings. Each year no later than fifteen (15) days prior to the first billing cycle of September the Servicer shall: (A) update the data and assumptions underlying the calculation of the System Restoration Charges, including projected electricity usage during the next Calculation Period for each SRC Customer Class and including interest and estimated expenses and fees of the Issuer to be paid during such period, the Weighted Average Days Outstanding and write-offs; (B) determine the Periodic Payment Requirements and Periodic Billing Requirement for the next Calculation Period based on such updated data and assumptions; (C) determine the System Restoration Charges to be allocated to each SRC Customer Class during the next Calculation Period based on such Periodic Billing Requirement and the terms of the Financing Order, the Tariff and any other tariffs filed pursuant thereto and in doing so the Servicer shall use the method of allocating System Restoration Charges then in effect, including as applicable, the result of the implementation of the most recent Non-Standard True-Up Adjustment; (D) make all required notice and other filings with the PUCT to reflect the revised System Restoration Charges, including any Amendatory Tariff, and (E) take all reasonable actions and make all reasonable efforts to effect such Annual True-Up Adjustment and to enforce the provisions of the Securitization Law and the Financing Order; provided, however, that if the Servicer determines that the forecasted billing units for one or more of the SRC Customer Classes for an upcoming period decreases by more than 10% compared to the billing units for the threshold period set forth in the Financing Order, the Servicer shall implement a Non-Standard True-Up Adjustment and, if such Non-Standard True-Up Adjustment shall be made in the time period provided for Annual True-Up Adjustments pursuant to this Section 4.01(b)(i), such Non-Standard True-Up Adjustment shall also qualify as an Annual True-Up Adjustment for purposes of this Agreement. The Servicer shall implement the revised System Restoration Charges, if any, resulting from such Annual True-Up Adjustment as of the Annual True-Up Adjustment Date.

(ii) Non-Standard True-Up Adjustments and Filings. In the event that the Servicer determines that a Non-Standard True-Up Adjustment is required, the Servicer shall, no later than ninety (90) days prior to the first billing cycle of September of each year, (A) recalculate the System Restoration Charges to reallocate the System Restoration Charges among SRC Customer Classes in accordance with the procedures for Non-Standard True-Up Adjustments set forth in the Financing Order and Tariff; (B) make all required notice and other filings with the PUCT to reflect the revised System Restoration Charges, including any Amendatory Tariff; and (C) take all reasonable actions and make all reasonable efforts to effect such Non-Standard True-Up Adjustment and to enforce the provisions of the Securitization Law and the Financing Order. The Servicer shall implement the revised System Restoration Charges, if any, resulting from such Non-Standard True-Up Adjustment on the Non-Standard True-Up Adjustment Date. For the avoidance of doubt, no Annual True-Up Adjustment or Interim True-Up Adjustment shall be considered a Non-Standard True-Up Adjustment solely because System Restoration Charges are allocated under such Annual True-Up Adjustment or Interim True-Up Adjustment in the same manner as in a preceding Non-Standard True-Up Adjustment.

(iii) Mandatory Interim True-Up Adjustments and Filings. Within the 30-day period ending on March 1 of each year, commencing March 1, 2020 and, if there are any System Restoration Bonds Outstanding following the last Scheduled Final Payment Date, within 30 days of the dates which are three months, six months, nine months and one year after the last Scheduled Final Payment Date (but in no event later than November 1, 2029), the Servicer shall (A) update the data and assumptions underlying the calculation of the System Restoration Charges, including projected electricity usage during the next Calculation Period for each SRC Customer Class and including interest and estimated expenses and fees of the Issuer to be paid during such period, the rate of delinquencies and write-offs; (B) determine the Periodic Payment Requirement and Periodic Billing Requirement for the next Calculation Period based on such updated data and assumptions; and (C) based upon such updated data and requirements, forecast whether SRC Collections together with available fund balances in the Excess Funds Subaccount, will be sufficient, (i) to make on a timely basis all scheduled payments of interest, principal and other amounts payable in respect of each Outstanding Tranche of System Restoration Bonds during such Calculation Period and (ii) to maintain the Capital Subaccount at the Required Capital Level. If the Servicer determines that SRC Collections will not be sufficient for such purposes, the Servicer shall, no later than fifteen (15) days prior to the end of each such thirty (30) day period (1) determine the System Restoration Charges to be allocated to each SRC Customer Class during the next Calculation Period based on such Periodic Billing Requirement and the terms of the Financing Order and the Tariff, and in doing so the Servicer shall use the method of allocating System Restoration Charges then in effect, including as applicable, the result of the implementation of the most recent Non-Standard True-Up Adjustment; (2) make all required notice and other filings with the PUCT to reflect the revised System Restoration Charges, including any Amendatory Tariff; and (3) take all reasonable actions and make all reasonable efforts to effect such Interim True-Up Adjustment and to enforce the provisions of the Securitization Law and the Financing Order.

(iv) Optional Interim True-Up Adjustments and Filings. In addition to the True-Up Adjustments described above in Sections 4.01(b)(i), (ii) and (iii), the Servicer may implement an additional True-Up Adjustment (in the same manner as provided for the Mandatory Interim True-Up Adjustments) at any time (a) if the Servicer forecasts that SRC Collections during the current Calculation Period will be insufficient to make all scheduled payments of principal, interest, and other amounts in respect of the System Restoration Bonds on a timely basis during such Calculation Period; (b) to replenish any draws upon the Capital Subaccount.; and/or (c) generally to correct any under-collection or over-collection in order to assure timely payment of System Restoration Bonds.

(c) Reports.

(i) Notification of Amendatory Tariff Filings and True-Up Adjustments. Whenever the Servicer files an Amendatory Tariff with the PUCT or implements revised System Restoration Charges with notice to the PUCT without filing an Amendatory Tariff if permitted by the Financing Order, the Servicer shall send a copy of such filing or notice (together with a copy of all notices and documents which, in the Servicer's reasonable judgment, are material to the adjustments effected by such Amendatory Tariff or notice) to the Issuer, the Indenture Trustee and the Rating Agencies concurrently therewith. If, for any reason any revised System Restoration Charges are not implemented and effective on the applicable date set forth herein, the Servicer shall notify the Issuer, the Indenture Trustee and each Rating Agency by the end of the second Servicer Business Day after such applicable date.

(ii) Servicer's Certificate. Not later than five (5) Servicer Business Days prior to each Payment Date or Special Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit B hereto (the "Servicer's Certificate") to the Issuer, the Indenture Trustee and the Rating Agencies which shall include all of the following information (to the extent applicable and including any other information so specified in the Series Supplement) as to the System Restoration Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date, as applicable:

(a) the amount of the payment to Holder allocable to principal, if any;

(b) the amount of the payment to Holders allocable to interest;

(c) the aggregate Outstanding Amount of the System Restoration Bonds, before and after giving effect to any payments allocated to principal reported under clause (a) above;

(d) the difference, if any, between the amount specified in clause (c) above and the Outstanding Amount specified in the Expected Amortization Schedule;

(e) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Servicer; and

(f) the amounts on deposit in the Capital Subaccount and the Excess Funds Subaccount, after giving effect to the foregoing payments.

(iii) Reports to Customers.

(A) After each revised System Restoration Charge has gone into effect pursuant to a True-Up Adjustment, the Servicer shall, to the extent and in the manner and time frame required by applicable PUCT Regulations, if any, cause to be prepared and delivered to Customers any required notices announcing such revised System Restoration Charges.

(B) The Servicer shall comply with the requirements of the Financing Order and Tariff with respect to the identification of System Restoration Charges on Bills. In addition, at least once each year, the Servicer shall (to the extent that it does not separately identify the System Restoration Charges as being owned by the Issuer in the Bills regularly sent to Customers or REPs) cause to be prepared and delivered to such Customers and REPs a notice stating, in effect, that the Transition Property and the System Restoration Charges are owned by the Issuer and not the Seller. Unless prohibited by applicable PUCT Regulations, the Servicer shall use reasonable efforts to cause each Applicable REP, at least once each year, to include similar notices in the bills sent by such Applicable REP to Customers indicating additionally that the System Restoration Charges are not owned by such Applicable REP (to the extent that such Applicable REP does not include such information in the Bills regularly sent to Customers) or the Seller. Such notice shall be included either as an insert to or in the text of the Bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as the Servicer or the Applicable REP may from time to time use to communicate with its respective Customers.

(C) Except to the extent that applicable PUCT Regulations make the Applicable REP responsible for such costs, or the Applicable REP has otherwise agreed to pay such costs, the Servicer shall pay from its own funds all costs of preparation and delivery incurred in connection with clauses (A) and (B) above, including printing and postage costs as the same may increase or decrease from time to time.

(iv) REP Reports. The Servicer shall provide to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the PUCT (or otherwise made publicly available by the Servicer) relating to REPs and any other non-confidential and non-proprietary information relating to REPs reasonably requested by the Rating Agencies to the extent such information is reasonably available to the Servicer.

SECTION 4.02. Limitation of Liability. (a) The Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any True-Up Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(ii) Neither the Servicer nor the Issuer nor the Indenture Trustee is responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to make any filings required by Section 4.01 in a timely and correct manner or any breach by the Servicer of its duties under this Agreement that adversely affects the Transition Property or the True-Up Adjustments), by the PUCT in any way related to the Transition Property or in connection with any True-Up Adjustment, the subject of any filings under Section 4.01, any proposed True-Up Adjustment, or the approval of any revised System Restoration Charges and the scheduled adjustments thereto.

(iii) Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of any revised System Restoration Charges and the scheduled adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected energy usage volume and the Weighted Average Days Outstanding, write-offs and estimated expenses and fees of the Issuer, so long as the Servicer has acted in good faith and has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Holders, not receiving any payment, amount or return anticipated or expected or in respect of any System Restoration Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of liability for any misrepresentation by the Servicer under Section 6.01 or for any breach by the Servicer of its other obligations under this Agreement.

ARTICLE V
THE TRANSITION PROPERTY

SECTION 5.01. Custody of Transition Property Records. To assure uniform quality in servicing the Transition Property and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer as custodian of any and all documents and records that the Servicer shall keep on file, in accordance with its customary procedures, relating to the Transition Property, including copies of the Financing Order, Issuance Advice Letter, Tariff and Amendatory Tariffs relating thereto and all documents filed with the PUCT in connection with any True-Up Adjustment and computational records relating thereto (collectively, the "Transition Property Records"), which are hereby constructively delivered to the Indenture Trustee, as pledgee of the Issuer with respect to all Transition Property.

SECTION 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Transition Property Records on behalf of the Issuer and maintain such accurate and complete accounts, records and computer systems pertaining to the Transition Property Records as shall enable the Issuer and the Indenture Trustee, as applicable, to comply with this Agreement, the Sale Agreement and the Indenture. In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Indenture Trustee and the Rating Agencies any failure on its part to hold the Transition Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Indenture Trustee of the Transition Property Records. The Servicer's duties to hold the Transition Property Records set forth in this Section 5.02, to the extent the Transition Property Records have not been previously transferred to a successor Servicer pursuant to Article VII, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article VII and (ii) no System Restoration Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Transition Property Records at 212 East 6th Street, Tulsa, Oklahoma 74119 or at such other office as shall be specified to the Issuer and the Indenture Trustee by written notice at least thirty (30) days prior to any change in location. The Servicer shall make available for inspection, audit and copying to the Issuer and the Indenture Trustee or their respective duly authorized representatives, attorneys or auditors the Transition Property Records at such times during normal business hours as the Issuer or the Indenture Trustee shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any PUCT Regulation) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(b).

(c) Release of Documents. Upon instruction from the Indenture Trustee in accordance with the Indenture, the Servicer shall release any Transition Property Records to the Indenture Trustee, the Indenture Trustee's agent or the Indenture Trustee's designee, as the case may be, at such place or places as the Indenture Trustee may designate, as soon as practicable. Nothing in this Section 5.02(c) shall affect the obligation of the Servicer to observe any applicable law (including any PUCT Regulation) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(c).

(d) Defending Transition Property Against Claims. The Servicer shall institute any action or proceeding necessary to compel performance by each REP (at the earliest possible time) and each party to the Intercreditor Agreement of any of their respective obligations or duties under the Securitization Law, the Financing Order or the Intercreditor Agreement with respect to the Transition Property, and the Servicer agrees to take such legal or administrative actions, including without limitation defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to the Securitization Law or the Financing Order. The costs of any action described in this Section 5.02(d) shall be payable from SRC Collections as an Operating Expense (and shall not be deemed to constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 5.02(d) shall survive and continue notwithstanding that payment of such Operating Expense may be delayed pursuant to the terms of the Indenture (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

(e) Additional Litigation to Defend Transition Property. In addition to the above, the Servicer shall, at its own expense, institute any action or proceeding necessary to compel performance by the PUCT or the State of Texas of any of their respective obligations or duties under the Securitization Law or the Financing Order with respect to the Transition Property, and to compel performance by REPs with any of their respective obligations or duties under the Tariff or any agreement with the Servicer entered into pursuant to the Tariff. In any proceedings related to the exercise of the power of eminent domain by any municipality to acquire a portion of AEP Texas' electric distribution facilities, the Servicer shall assert that the court ordering such condemnation must treat such municipality as a successor to AEP Texas under the Securitization Law and Financing Order.

SECTION 5.03. Custodian's Indemnification. The Servicer as custodian shall indemnify the Issuer, any Independent Manager and the Indenture Trustee (for itself and for the benefit of the Holders) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "Indemnified Losses") that may be imposed on, incurred by or asserted against each such Person as the result of any negligent act or omission in any way relating to the maintenance and custody by the Servicer, as custodian, of the Transition Property Records; provided, however, that the Servicer shall not be liable for any portion of any such amount resulting from the willful misconduct, bad faith or negligence of the Issuer, any Independent Manager or the Indenture Trustee, as the case may be.

Indemnification under this Section 5.03 shall survive resignation or removal of the Indenture Trustee or any Independent Manager and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses and reasonable fees, out-of-pocket expenses and costs incurred in connection with any action, claim or suit brought to enforce the Indenture Trustee's right to indemnification).

SECTION 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If the Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of the Servicer shall have been terminated under Section 7.01, the appointment of the Servicer as custodian shall be terminated effective as of the date on which the termination or resignation of the Servicer is effective. Additionally, if not sooner terminated as provided above, the Servicer's obligations as custodian shall terminate one year and one day after the date on which no System Restoration Bonds are Outstanding.

ARTICLE VI
THE SERVICER

SECTION 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this Section 6.01, on which the Issuer and the Indenture Trustee are deemed to have relied in entering into this Agreement relating to the servicing of the Transition Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any Transition Property and the pledge thereof to the Indenture Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing and is in good standing under the laws of the State of Texas, with the requisite corporate or other power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Agreement and the Intercreditor Agreement, and had at all relevant times, and has, the requisite power, authority and legal right to service the Transition Property and to hold the Transition Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business and 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 Transition Property as required by this Agreement and the Intercreditor Agreement) shall require such qualifications, licenses or approvals (except where the failure to so 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 Transition Property).

(c) Power and Authority. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Servicer under its organizational or governing documents and laws.

(d) Binding Obligation. Each of this Agreement and the Intercreditor Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the Intercreditor Agreement (to the extent applicable to the Servicer's responsibilities thereunder) and the fulfillment of the terms of each will not conflict with, result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the organizational documents of the Servicer, 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; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents or any Lien created pursuant to Section 39.309 of the Securitization Law); nor 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.

(f) No Proceedings. There are no proceedings 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 Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement or any of the other Basic Documents, (ii) seeking to prevent the issuance of the System Restoration Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents, (iii) seeking any determination or ruling 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, this Agreement, any of the other Basic Documents or the System Restoration Bonds or (iv) seeking to adversely affect the federal income tax or state income or franchise tax classification of the System Restoration Bonds as debt.

(g) Approvals. No governmental approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the execution and delivery by the Servicer of this Agreement or the Intercreditor Agreement, the performance by the Servicer of the transactions contemplated hereby or thereby or the fulfillment by the Servicer of the terms of each, except those that have been obtained or made, those that the Servicer is required to make in the future pursuant to Article IV and those that the Servicer may need to file in the future to continue the effectiveness of any financing statement filed under the UCC.

(h) Reports and Certificates. Each report and certificate delivered in connection with the Issuance Advice Letter or delivered in connection with any filing made to the PUCT by the Issuer with respect to the System Restoration Charges or True-Up Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

SECTION 6.02. Indemnities of Servicer; Release of Claims. (a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement.

(b) The Servicer shall indemnify the Issuer, the Indenture Trustee (for itself and for the benefit of the Holders) and any Independent Manager, and each of their respective trustees, officers, directors, employees and agents (each, an "Indemnified Person") for, and defend and hold harmless each such Person from and against, any and all Indemnified Losses imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer's willful misconduct, bad faith or negligence in the performance of its duties or observance of its covenants under this Agreement or its reckless disregard of its obligations and duties under this Agreement or the Intercreditor Agreement, (ii) the Servicer's breach of any of its representations and warranties contained in this Agreement or the Intercreditor Agreement, (iii) any litigation or related expenses relating to the Servicer's status or obligations as Servicer (other than any proceeding the Servicer is required to institute under the Servicing Agreement) or (iv) any finding that interest payable to a REP with respect to disputed funds must be paid by the Issuer or from the Transition Property, except to the extent of Indemnified Losses either resulting from the willful misconduct, bad faith or gross negligence of such Person seeking indemnification hereunder or resulting from a breach of a representation or warranty made by such Person seeking indemnification hereunder in any of the Basic Documents that gives rise to the Servicer's breach.

(c) For purposes of Section 6.02(b), in the event of the termination of the rights and obligations of AEP Texas (or any successor thereto pursuant to Section 6.03) as Servicer pursuant to Section 7.01, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to Section 7.02.

(d) Indemnification under this Section 6.02 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Securitization Law or the Financing Order and shall survive the resignation or removal of the Indenture Trustee or any Independent Manager or the termination of this Agreement and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses and the reasonable fees, out-of-pocket expenses and costs incurred in connection with any action, claim or suit brought to enforce the Indenture Trustee's right to indemnification).

(e) Except to the extent expressly provided in this Agreement or the other Basic Documents (including the Servicer's claims with respect to the Servicing Fee, reimbursement for any Excess Remittance, reimbursement for costs incurred pursuant to Section 5.02(d) and the payment of the purchase price of Transition Property), the Servicer hereby releases and discharges the Issuer, any Independent Manager and the Indenture Trustee, and each of their respective officers, directors and agents (collectively, the "Released Parties") from any and all actions, claims and demands whatsoever, whenever arising, which the Servicer, in its capacity as Servicer or otherwise, shall or may have against any such Person relating to the Transition Property or the Servicer's activities with respect thereto other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

(f) Promptly after receipt by an Indemnified Person of notice (or, in the case of the Indenture Trustee, receipt of notice by a Responsible Officer only) of the commencement of any action, proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Servicer under this Section 6.02, notify the Servicer in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.02 only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.02, the Servicer shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defense of any such action, proceeding or investigation (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); provided that the Indemnified Person shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Servicer's election to assume the defense of any action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the defendants in any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Servicer, (ii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iii) the Servicer shall authorize the Indemnified Person to employ separate counsel at the expense of the Servicer or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons other than one local counsel, if appropriate.

(g) The Servicer shall indemnify the PUCT (for the benefit of Customers) for, and defend and hold harmless against, any and all Indemnified Losses that may be imposed upon, incurred by or asserted against the PUCT, including any increase in the Servicing Fee that becomes payable pursuant to Section 6.06, as a result of a Servicer Default resulting from the Servicer's willful misconduct, bad faith or negligence in performance of its duties or observance of its covenants under this Agreement. The indemnification obligation set forth in this paragraph may be enforced by the PUCT but is not enforceable by any REP or any Customer. Any indemnity payments made to the PUCT under this paragraph for the benefit of Customers shall be remitted to the Indenture Trustee promptly for deposit into the Collection Account.

SECTION 6.03. Binding Effect of Servicing Obligations. The obligations to continue to provide service and to collect and account for System Restoration Charges will be binding upon the Servicer and any other entity that provides transmission and distribution services or direct wire services to a Person that was a retail customer of AEP Texas located within the Texas AEP Central Division as of the date the Financing Order or that became a retail customer for electric services within such area after such date and is still located within such area, and to the successor of any such other entity. Any Person (a) into which the Servicer may be merged, converted or consolidated and which is a Permitted Successor, (b) that may result from any merger, conversion or consolidation to which the Servicer shall be a party and which is a Permitted Successor, (c) that may succeed to the properties and assets of the Servicer substantially as a whole and which is a Permitted Successor, (d) which results from the division of the Servicer into two or more Persons and which is a Permitted Successor, or (e) which otherwise is a Permitted Successor, which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 6.01 shall have been breached and no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger, division or succession and such agreement of assumption complies with this Section 6.03 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer, the Indenture Trustee and the Rating Agencies an Opinion of Counsel from external counsel of the Servicer either (A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including filings with the PUCT pursuant to the Securitization Law and the UCC, have been executed and filed and are in full force and effect that are necessary to fully preserve, perfect and maintain the priority of the interests of the Issuer and the Liens of the Indenture Trustee in the Transition Property and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action shall be necessary to maintain such interests, (iv) the Servicer shall have delivered to the Issuer, the Indenture Trustee, the Rating Agencies and the PUCT an Opinion of Counsel from independent tax counsel stating that, for federal income tax purposes, such consolidation, conversion, merger, division or succession and such agreement of assumption will not result in a material federal income tax consequence to the Issuer or the Holders of System Restoration Bonds and (v) the Servicer shall have given the Rating Agencies prior written notice of such transaction. When any Person (or more than one Person) acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor, by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all the electric transmission and distribution business of the Servicer (or, if transmission and distribution are not provided by a single entity, provides wire service directly to customers taking services at facilities, premises or loads located in Texas AEP Central Division as of the date of the Financing Order in accordance with the terms of this Section 6.03, then upon satisfaction of all of the other conditions of this Section 6.03, the preceding Servicer shall automatically and without further notice be released from all its obligations hereunder.

SECTION 6.04. Limitation on Liability of Servicer and Others. Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for good faith errors in judgment; provided, however, that this provision shall not protect the Servicer or any such person against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement or the Intercreditor Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Indenture Trustee or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

Except as provided in this Agreement, including but not limited to Sections 5.02(d) and (e), the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Transition Property that is not directly related to one of the Servicer's enumerated duties in this Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability; provided, however, that the Servicer may, in respect of any Proceeding, undertake any action that it is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Indenture Trustee under this Agreement and the interests of the Holders and Customers under this Agreement. The Servicer's costs and expenses incurred in connection with any such proceeding shall be payable from SRC Collections as an Operating Expense (and shall not be deemed to constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 6.04 shall survive and continue notwithstanding that payment of such Operating Expense may be delayed pursuant to the terms of the Indenture (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

SECTION 6.05. AEP Texas Not to Resign as Servicer. Subject to the provisions of Section 6.03, AEP Texas shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement unless AEP Texas delivers to the Indenture Trustee and the PUCT an opinion of external counsel to the effect that AEP Texas' performance of its duties under this Agreement shall no longer be permissible under applicable law. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of AEP Texas in accordance with Section 7.02.

SECTION 6.06. Servicing Compensation. (a) In consideration for its services hereunder, until the Retirement of the System Restoration Bonds, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) 0.10% of the aggregate initial principal amount of all Outstanding System Restoration Bonds for so long as AEP Texas or an Affiliate of AEP Texas is the Servicer or (ii) if AEP Texas or any of its Affiliates is not the Servicer, an amount agreed upon by the Successor Servicer and the Indenture Trustee, provided that any amount in excess of 0.60% of the aggregate initial principal amount of all Outstanding System Restoration Bonds must be approved by the PUCT and the Indenture Trustee. The Servicing Fee owing shall be calculated based on the initial principal amount of the System Restoration Bonds and shall be paid semi-annually with half of the Servicing Fee being paid on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on SRC Payments received by the Servicer and invested by the Servicer during each Collection Period prior to remittance to the Collection Account and (ii) all late payment charges, if any, collected from Customers or REPs; provided, however, that if the Servicer has failed to remit the Daily Remittance to the General Subaccount of any Collection Account on the Servicer Business Day that such payment is to be made pursuant to Section 6.11 on more than three (3) occasions during the period that the System Restoration Bonds are outstanding, then thereafter the Servicer will be required to pay to the Indenture Trustee interest on each Daily Remittance accrued at the Federal Funds Rate from the Servicer Business Day on which such Daily Remittance was required to be made to the date that such Daily Remittance is actually made.

(b) The Servicing Fee set forth in Section 6.06(a) shall be paid to the Servicer by the Indenture Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(e) of the Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on any such date should be added to the Servicing Fee payable on the subsequent Payment Date. In no event shall the Indenture Trustee be liable for the payment of any Servicing Fee or other amounts specified in this Section 6.06; provided that this Section 6.06 does not relieve the Indenture Trustee of any duties it has to allocate funds for payment for such fees under Section 8.02 of the Indenture.

(c) Except as expressly provided elsewhere in this Agreement, the Servicer shall be required to pay from its own account expenses incurred by the Servicer in connection with its activities hereunder (including any fees to and disbursements by accountants, counsel, or any other Person, any taxes imposed on the Servicer and any expenses incurred in connection with reports to Holders) out of the compensation retained by or paid to it pursuant to this Section 6.06, and shall not be entitled to any extra payment or reimbursement therefor.

(d) The foregoing Servicing Fees constitute a fair and reasonable price for the obligations to be performed by the Servicer. Such Servicing Fee shall be determined without regard to the income of the Issuer, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Issuer and shall be considered a fixed Operating Expense of the Issuer subject to the limitations on such expenses set forth in the Financing Order.

SECTION 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Transition Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to the Transition Property the noncompliance with which would have a material adverse effect on the value of the Transition Property; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any Requirement of Law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

SECTION 6.08. Access to Certain Records and Information Regarding Transition Property. The Servicer shall provide to the Indenture Trustee access to the Transition Property Records as is reasonably required for the Indenture Trustee to perform its duties and obligations under the Indenture and the other Basic Documents, and shall provide access to such records to the Holders as required by applicable law. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the respective offices of the Servicer. Nothing in this Section 6.08 shall affect the obligation of the Servicer to observe any applicable law (including any PUCT Regulation) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 6.08.

SECTION 6.09. Appointments. The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; provided, however, that, unless such Person is an Affiliate of AEP Texas, the Rating Agency Condition shall have been satisfied in connection therewith; provided further that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the Transition Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Transition Property. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time and none of the Issuer, the Indenture Trustee, the Holders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under Section 6.05.

SECTION 6.10. No Servicer Advances. The Servicer shall not make any advances of interest on or principal of the System Restoration Bonds.

SECTION 6.11. Remittances. (a) On each Servicer Business Day, commencing thirty-five (35) days after the Closing Date, the Servicer shall remit to the General Subaccount of the Collection Account the total SRC Payments estimated to have been received by the Servicer from or on behalf of Customers on such Servicer Business Day in respect of all previously billed System Restoration Charges (the "Daily Remittance"), which Daily Remittance shall be calculated according to the procedures set forth in Annex I and shall be remitted as soon as reasonably practicable but in no event later than the second Servicer Business Day after such payments are estimated to have been received. Prior to each remittance to the General Subaccount of the Collection Account pursuant to this Section 6.11, the Servicer shall provide written notice to the Indenture Trustee of each such remittance (including the exact dollar amount to be remitted). The Servicer shall also, promptly upon receipt, remit to the Collection Account any other proceeds of the System Restoration Bond Collateral which it may receive from time to time.

(b) The Servicer agrees and acknowledges that it holds all SRC Payments collected by it and any other proceeds for the System Restoration Bond Collateral received by it for the benefit of the Indenture Trustee and the Holders and that all such amounts will be remitted by the Servicer in accordance with this Section 6.11 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in clause (c) below and (ii) for late fees permitted by Section 6.06. The Servicer further agrees not to make any claim to reduce its obligation to remit all SRC Payments collected by it in accordance with this Agreement except (i) as set forth in clause (c) below and (ii) for late fees permitted by Section 6.06.

(c) On or before the twenty-fifth calendar day of each calendar month (or, if such day is not a Servicer Business Day, the immediately preceding Servicer Business Day) commencing with September 25, 2020, the Servicer shall calculate the amount of any Remittance Shortfall or Excess Remittance for the first Collection Period of the immediately preceding Reconciliation Period, shall allocate such Remittance Shortfall or Excess Remittance ratably based on the System Restoration Charges billed for such Reconciliation Period, and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental remittance, to the General Subaccount of the Collection Account within two (2) Servicer Business Days, or (B) if an Excess Remittance exists, the Servicer shall be entitled either (i) to reduce the amount of each Daily Remittance which the Servicer subsequently remits to the General Subaccount of the Collection Account for application to the amount of such Excess Remittance until the balance of such Excess Remittance has been reduced to zero, the amount of such reduction becoming the property of the Servicer or (ii) so long as such withdrawal would not cause the amounts on deposit in the General Subaccount or the Excess Funds Subaccount to be insufficient for the payment of the next installment of interest on the System Restoration Bonds or principal due at maturity on the next Payment Date or upon acceleration on or before the next Payment Date, to be paid immediately from the General Subaccount or Excess Funds Subaccount the amount of such Excess Remittance, such payment becoming the property of the Servicer. If there is a Remittance Shortfall, the amount which the Servicer remits to the General Subaccount of the Collection Account on the relevant date set forth above shall be increased by the amount of such Remittance Shortfall, such increase coming from the Servicer's own funds.

(d) Unless otherwise directed to do so by the Issuer, the Servicer shall be responsible for selecting Eligible Investments in which the funds in each Collection Account shall be invested pursuant to Section 8.03 of the Indenture.

SECTION 6.12. Maintenance of Operations. Subject to Section 6.03, AEP Texas agrees to continue, unless prevented by circumstances beyond its control, to operate its electric transmission and distribution system to provide service (or, if transmission and distribution are split, to provide wire service directly to its customers) so long as it is acting as the Servicer under this Agreement.

ARTICLE VII
DEFAULT

SECTION 7.01. Servicer Default. If any one or more of the following events (a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the Issuer any required remittance that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Issuer or the Indenture Trustee or after discovery of such failure by an officer of the Servicer; or

(b) any failure on the part of the Servicer or, so long as the Servicer is AEP Texas or an Affiliate thereof, any failure on the part of AEP Texas, as the case may be, duly to observe or to perform in any material respect any covenants or agreements of the Servicer or AEP Texas, as the case may be, set forth in this Agreement (other than as provided in clause (a) of this Section 7.01) or any other Basic Document to which it is a party, which failure shall (i) materially and adversely affect the rights of the Holders and (ii) continue unremedied for a period of sixty (60) days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or AEP Texas, as the case may be, by the Issuer (with a copy to the Indenture Trustee) or to the Servicer or AEP Texas, as the case may be, by the Indenture Trustee or (B) such failure is discovered by an officer of the Servicer; or

(c) any failure by the Servicer duly to perform its obligations under Section 4.01(b) of this Agreement in the time and manner set forth therein, which failure continues unremedied for a period of five (5) days; or

(d) any representation or warranty made by the Servicer in this Agreement or any Basic Document shall prove to have been incorrect in a material respect when made, which has a material adverse effect on the Holders and which material adverse effect continues unremedied for a period of sixty (60) days after the date on which (A) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer (with a copy to the Indenture Trustee) by the Issuer or the Indenture Trustee or (B) such failure is discovered by an officer of the Servicer; or

(e) an Insolvency Event occurs with respect to the Servicer or AEP Texas;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Indenture Trustee may, or shall upon the instruction of the PUCT (acting on behalf of Customers) or of Holders evidencing not less than a majority of the Outstanding Amount of the System Restoration Bonds, by notice then given in writing to the Servicer (and to the Indenture Trustee if given by the Holders) (a "Termination Notice"), terminate all the rights and obligations (other than the obligations set forth in Section 6.02 and the obligation under Section 7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. The appointment of any successor Servicer shall be subject to the terms and provisions of the Intercreditor Agreement. In addition, upon a Servicer Default described in Section 7.01(a), the Holders and the Indenture Trustee as financing parties under the Securitization Law (or any of their representatives) shall be entitled to (i) apply to the district court of Travis County for sequestration and payment of revenues arising with respect to the Transition Property, (ii) foreclose on or otherwise enforce the lien and security interests in any Transition Property and (iii) apply to the PUCT for an order that amounts arising from the System Restoration Charges be transferred to a separate account for the benefit of the Secured Parties, in accordance with the Securitization Law. On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the System Restoration Bonds, the Transition Property, the System Restoration Charges or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Transition Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Issuer and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all Transition Property Records and all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Transition Property or the System Restoration Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Transition Property Records to the successor Servicer. In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorney's fees and expenses) incurred in connection with transferring the Transition Property Records to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 7.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of AEP Texas as Servicer shall not terminate AEP Texas' rights or obligations under the Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

SECTION 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Indenture Trustee may, or, at the written direction and with the consent of the Holders of at least a majority of the Outstanding Amount of the System Restoration Bonds, shall, appoint a successor Servicer with the Issuer's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer and the Indenture Trustee and provide prompt written notice of such assumption to the Issuer and the Rating Agencies. If within thirty (30) days after the delivery of the Termination Notice, a new Servicer shall not have been appointed, the Indenture Trustee may petition the PUCT or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under PUCT Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied and (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement (as the System Restoration Bond Servicer). In no event shall the Indenture Trustee be liable for its appointment of a successor Servicer. The Indenture Trustee's expenses incurred under this Section 7.02(a) shall be at the sole expense of the Issuer and payable from the Collection Account as provided in Section 8.02 of the Indenture.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

SECTION 7.03. Waiver of Past Defaults. The PUCT, together with Holders evidencing not less than a majority of the Outstanding Amount of the System Restoration Bonds may, on behalf of all Holders, direct the Indenture Trustee to waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required deposits to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Promptly after the execution of any such waiver, the Servicer shall furnish copies of such waiver to each of the Rating Agencies.

SECTION 7.04. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Indenture Trustee, the PUCT and the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.01.

SECTION 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the successor Servicer in performing its obligations hereunder.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

SECTION 8.01. Amendment. (a) This Agreement may be amended in writing by the Servicer and the Issuer with the prior written consent of the Indenture Trustee, the satisfaction of the Rating Agency Condition and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 8.02; provided that any such amendment may not adversely affect the interest of any Holder in any material respect without the consent of the Holders of a majority of the outstanding principal amount of the System Restoration Bonds. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

In addition, this Agreement may be amended in writing by the Servicer and the Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Indenture 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 this Agreement and that all conditions precedent have been satisfied, upon which the Indenture Trustee may conclusively rely) and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 8.02, but without the consent of any of the Holders, (i) to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the Holders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Issuer and the Indenture Trustee, adversely affect in any material respect the interests of any Holder or (ii) to conform the provisions hereof to the description of this Agreement in the Prospectus. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel of external counsel stating that such amendment is authorized or permitted by this Agreement and that all conditions precedent have been satisfied and upon the Opinion of Counsel from external counsel referred to in Section 3.01(c)(i). The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties, indemnities or immunities under this Agreement or otherwise.

(b) Notwithstanding Section 8.01(a) or anything to the contrary in this Agreement, the Servicer and the Issuer may amend Annex I to this Agreement in writing with prior written notice given to the Indenture Trustee and the Rating Agencies, but without the consent of the Indenture Trustee, any Rating Agency or any Holder, solely to address changes to the Servicer's method of calculating SRC Payments as a result of changes to the Servicer's current computerized customer information system, including changes which would replace the remittances contemplated by the estimation procedures set forth in Annex I with remittances of SRC Collections determined to have been actually received; provided that any such amendment shall not have a material adverse effect on the Holders of then Outstanding System Restoration Bonds as evidenced by an Officer's Certificate of the Issuer.

(c) If the PUCT adopts a rule or regulation the effect of which is to modify or supplement any provision of this Agreement related to the REP Credit Requirements and the REP Deposit Requirements, this Agreement will be deemed so modified or supplemented on the effective date of such rule or regulation in the manner necessary to comply therewith without the necessity of any further action by any party hereto; provided that (i) the Rating Agency Condition has been satisfied, (ii) the Servicer shall have notified the Issuer and the Indenture Trustee in writing of such modification or supplement and delivered an Opinion of Counsel as described in the second paragraph of Section 8.01(a) and (iii) neither the Issuer nor the Indenture Trustee shall be bound by any such modification to the extent it affects their own rights, duties, indemnities or immunities under this Agreement or otherwise.

(d) It shall not be necessary for the consent of Holders pursuant to this Article to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

(e) Any Opinion of Counsel may be based, insofar as it relates to factual matters (including financial and capital markets), upon a certificate or opinion of, or representations by, an officer or officers of the Servicer or the Issuer and other documents necessary and advisable in the judgment of counsel delivering such opinion.

SECTION 8.02. PUCT Condition. Notwithstanding anything to the contrary in Section 8.01(a), no amendment or modification of this Agreement shall be effective unless the process set forth in this Section 8.02 has been followed.

(a) At least thirty-one (31) days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 8.01(a) (except that the consent of the Indenture Trustee may be subject to the consent of Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification), the Servicer shall have delivered to the PUCT's executive director and general counsel written notification of any proposed amendment, which notification shall contain:

(i) a reference to Docket No. 49308;

(ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement;

(iii) a statement identifying the person to whom the PUCT or its staff is to address any response to the proposed amendment or modification or to request additional time; and

(iv) a statement as to the possible effect of the amendment or modification on the ongoing Qualified Costs.

(b) The PUCT or its staff shall, within thirty (30) days of receiving the notification complying with Section 8.02(a), either:

(i) provide notice of its determination that the proposed amendment or modification will not under any circumstances have the effect of increasing the ongoing Qualified Costs related to the System Restoration Bonds,

(ii) provide notice of its consent or lack of consent to the person specified in Section 8.02(a)(iii), or

(iii) be conclusively deemed to have consented to the proposed amendment or modification,

unless, within thirty (30) days of receiving the notification complying with Section 8.02(a), the PUCT or its staff delivers to the office of the person specified in Section 8.02(a)(iii) 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 or modification. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent or notice of its determination that the proposed amendment or modification will not under any circumstances increase ongoing Qualified Costs to the person specified in Section 8.02(a)(iii) no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment or modification on the last day of such extension of time. Any amendment or modification requiring the consent of the PUCT shall become effective on the later of (i) the date proposed by the parties to such amendment or modification and (ii) the first day after the expiration of the thirty (30)-day period provided for in this Section 8.02(b), or, if such period has been extended pursuant hereto, the first day after the expiration of such period as so extended.

(c) Following the delivery of a notice to the PUCT by the Servicer under Section 8.02(a), the Servicer and the Issuer shall have the right at any time to withdraw from the PUCT further consideration of any notification of a proposed amendment. Such withdrawal shall be evidenced by the Servicer's giving prompt written notice thereof to the PUCT, the Issuer and the Indenture Trustee.

SECTION 8.03. Maintenance of Accounts and Records. (a) The Servicer shall maintain accounts and records as to the Transition Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between SRC Payments received by the Servicer and SRC Collections from time to time deposited in the Collection Account.

(b) The Servicer shall permit the Indenture Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Transition Property and the System Restoration Charges. Nothing in this Section 8.03(b) shall affect the obligation of the Servicer to observe any applicable law (including any PUCT Regulation) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.03(b).

SECTION 8.04. Notices. Unless otherwise specifically provided herein, all demands, notices and communications upon or to the Servicer, the Issuer, the Indenture Trustee or the Rating Agencies under this Agreement shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented delivery service or, to the extent receipt is confirmed telephonically, sent by telecopy or other form of electronic transmission:

(a) in the case of the Servicer, to AEP Texas Inc., at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer, Telephone: (614) 716-1000, Facsimile: (614) 716-2807;

(b) in the case of the Issuer, to AEP Texas Restoration Funding LLC at 539 N. Carancahua Street, Suite 1700, Corpus Christi, Texas 78401, Attention: Manager, Telephone: (361) 881-5399, Facsimile: (361) 880-6128;

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) in the case of the PUCT, to 1701 N. Congress Avenue, Austin, Texas 78701, Attention: Executive Director and General Counsel, Telephone: (512) 936-7040, Facsimile: (512) 936-7036;

(e) to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Email: ServicerReports@moodys.com (all such notices to be delivered to Moody's in writing by email), and solely for purposes of Rating Agency Condition communications: abscormonitoring@moodys.com;

(f) in the case of Standard & Poor's, to Standard & Poor's Ratings Group, Inc., Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@spglobal.com (all such notices to be delivered to Standard & Poor's in writing by email); or

(g) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 8.05. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.03 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Servicer.

SECTION 8.06. Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer and the Issuer and, to the extent provided herein or in the Basic Documents, Customers, the Indenture Trustee and the Holders, and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Transition Property or System Restoration Bond Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein. Notwithstanding anything to the contrary contained herein, for the avoidance of doubt, any right, remedy or claim to which any Customer may be entitled pursuant to the Financing Order and to this Agreement may be asserted or exercised only by the PUCT (or by the Attorney General of the State of Texas in the name of the PUCT) for the benefit of such Customer.

SECTION 8.07. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such a construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8.08. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 8.09. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 8.10. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 8.11. Assignment to Indenture Trustee. (a) The Servicer hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Secured Parties pursuant to the Indenture of any or all of the Issuer's rights hereunder and (b) in no event shall the Indenture Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates delivered pursuant hereto, as to all of which any recourse shall be had solely to the assets of the Issuer subject to the availability of funds therefor under Section 8.02 of the Indenture.

SECTION 8.12. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, the Servicer shall not, prior to the date which is one year and one day after the satisfaction and discharge of the Indenture, acquiesce, petition or otherwise invoke or cause the Issuer to invoke or join with any Person in provoking the process of any Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer or ordering the dissolution, winding up or liquidation of the affairs of the Issuer.

SECTION 8.13. Limitation of Liability. It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee in the exercise of the powers and authority conferred and vested in it, and that the Indenture Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

SECTION 8.14. Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Basic Document to which it is a party for the purpose of determining the initial credit rating of the System Restoration Bonds or undertaking credit rating surveillance of the System Restoration Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on the 17g-5 Website.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

AEP TEXAS RESTORATION FUNDING LLC,
as Issuer

By: _____
Name:
Title:

AEP TEXAS INC., as Servicer

By: _____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Indenture Trustee

By: _____
Name:
Title:

EXHIBIT A

MONTHLY SERVICER'S CERTIFICATE

See Attached.

Monthly Servicer's Certificate

(to be delivered each month pursuant to Section **3.01** (b) of the Transition Property Servicing Agreement)

AEP TEXAS RESTORATION FUNDING LLC

AEP Texas Inc., as Servicer

Pursuant to the Transition Property Servicing Agreement dated as of September 18, 2019 (the "Transition Property Servicing Agreement") between AEP Texas Inc., as Servicer, and AEP Texas Restoration Funding LLC, as Issuer, the Servicer does hereby certify **as follows:**

Collection Period:
Remittance Dates:

SRC Class	a. SRCs in Effect	b. SRCs Billed	c. Estimated SRC Payments Received
Total			

Collection Period:

SRC Class	d. Estimated SRC Payments Received Total	e. Actual SRC Payments Received	f. Remittance Shortfall for this Collection	g. Excess Remittance for this Collection
Total				

h. Daily remittances previously made by the Servicer to the Collection Account in respect of this Collection Period (c):
i. The amount to be remitted by the Servicer to the Collection Account for this Collection Period is (c + f - g):

j. If (i>h), (i-h) equals net amount due from the Servicer to the Collection Amount:
k. If (h>i), (h-i) equals net amount due to the Servicer from the Collection Amount:

Capitalized terms used herein have their respective meanings set forth in the Transition Property Servicing Agreement.

In WITNESS HEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate the day of

AEP TEXAS INC., as Servicer

Title: Assistant Treasurer

EXHIBIT B

FORM OF SEMI-ANNUAL SERVICER'S CERTIFICATE

Pursuant to Section 4.01(c)(ii) of the Transition Property Servicing Agreement, dated as of September 18, 2019 (the "Servicing Agreement"), between, AEP TEXAS INC., as Servicer and AEP TEXAS RESTORATION FUNDING LLC, as Issuer, the Servicer does hereby certify, for the _____, 20__ Payment Date (the "Current Payment Date"), as follows:

Capitalized terms used herein have their respective meanings as set forth in the Indenture. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Indenture, as the context indicates.

Collection Periods: ____ to _____

Payment Date: _____

1. ***Collections Allocable and Aggregate Amounts Available for the Current Payment Date:***:

i.	Remittances for the ___ Collection Period (1)	$_____
ii.	Remittances for the ___ Collection Period	$_____
iii.	Remittances for the ___ Collection Period	$_____
iv.	Remittances for the ___ Collection Period	$_____
v.	Remittances for the ___ Collection Period	$_____
vi.	Remittances for the ___ Collection Period (2)	$_____
vii.	Investment Earnings on Collection Account	
viii.	Investment Earnings on Capital Subaccount	$_____
ix.	Investment Earnings on Excess Funds Subaccount	$_____
x.	Investment Earnings on General Subaccount	$_____
xi.	**General Subaccount Balance (sum of i through x above)**	**$**_____
xii.	Excess Funds Subaccount Balance as of Prior Payment Date	$_____
xiii.	Capital Subaccount Balance as of Prior Payment Date	$_____
xiv.	**Collection Account Balance (sum of xii through xiii above)**	**$**_____

(1) Includes amounts calculated for the Reconciliation Period for the prior Collection Period, which was settled in [month-date].
(2) Does not include the reconciliation amounts calculated for the Reconciliation Period for such Collection Period, which will be settled in the month following such Collection Period.

2. ***Outstanding Amounts of as of Prior Payment Date:***

i.	Tranche A-1 Outstanding Amount	$_____
ii.	Tranche A-2 Outstanding Amount	$_____
iii.	**Aggregate Outstanding Amount of all Tranches of System Restoration Bonds:**	**$**_____

3. ***Required Funding/Payments as of Current Payment Date:***

Principal		***Principal Due***
i.	Tranche A-1	$_____
ii.	Tranche A-2	$_____
iii.	**For all Tranches of System Restoration Bonds:**	**$**_____

Interest Tranche	***Interest Rate***	***Days in Interest Period***[1]	***Principal Balance***	***Interest Due***
iv. Tranche A-1				$_____
v.Tranche A-2				$_____
vi.	**For all Tranches of System Restoration Bonds:**			**$**_____

	Required Level	***Funding Required***
vii. Capital Subaccount		

4. ***Allocation of Remittances as of Current Payment Date Pursuant to 8.02(e) of Indenture***

i. Trustee Fees and Expenses; Indemnity Amounts[2]	$_____
ii. Servicing Fee	$_____
iii. Administration Fee	$_____
iv. Operating Expenses	$_____
v. Semi-Annual Interest (including any past-due for prior periods)	***$***_____

[1] *On 30/360 day basis for initial payment date; otherwise use one-half of annual rate.*

[2] *Subject to $100,000 cap per annum*

Tranche	***Aggregate***	***Per $1000 of Original Principal Amount***
1. Tranche A-1 Interest Payment	$_____	$_____
2. Tranche A-2 Interest Payment	$_____	$_____
	$_____	

vi. Principal Due and Payable as a Result of an Event of Default or on Final Maturity Date **$**_____

Tranche	***Aggregate***	***Per $1000 of Original Principal Amount***
1. Tranche A-1 Principal Payment	$_____	$_____
2. Tranche A-2 Principal Payment	$_____	$_____
	$_____	

vii. Semi-Annual Principal ***$***_____

Tranche	***Aggregate***	***Per $1000 of Original Principal Amount***
Tranche A-1 Principal Payment	$_____	$_____
Tranche A-2 Principal Payment	$_____	$_____

viii. Funding of Capital Subaccount (to required level) $_____
ix. Investment Earnings on Capital Subaccount Released to Issuer $_____
x. Deposit to Excess Funds Subaccount $_____
xi. Released to Issuer upon Retirement of all Notes $_____
xii. Aggregate Remittances as of Current Payment Date **$**_____

5. ***Subaccount Withdrawals as of Current Payment (if applicable, pursuant to Section 8.02(e) of Indenture:***

i. Excess Funds Subaccount $_____
ii. Capital Subaccount $_____
iii. Total Withdrawals **$**_____

6. ***Outstanding Amount and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such Payment Date):***

i.	Tranche A-1	$_____
ii.	Tranche A-2	$_____
iii.	**Aggregate Outstanding Amount of all Tranches of System Restoration Bonds:**	**$_____**
iv.	Excess Funds Subaccount Balance	$_____
v.	Capital Subaccount Balance	$_____
vi.	**Aggregate Collection Account Balance**	**$_____**

7. ***Shortfalls in Interest and Principal Payments as of Current Payment Date***

i. Semi-annual Interest

Tranche A-1 Interest Payment	$_____
Tranche A-2 Interest Payment	$_____
	$_____

ii. Semi-annual Principal

Tranche A-1 Principal Payment	$_____
Tranche A-2 Principal Payment	$_____
	$_____

8. ***Shortfalls in Required Subaccount Levels as of Current Payment Date***

ii. Capital Subaccount $_____

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semi-Annual Servicer's Certificate this __ day of _____.

AEP TEXAS INC.,
as Servicer

By: _____
Name:
Title:

EXHIBIT B
5

EXHIBIT C-1

REGULATION AB SERVICER'S CERTIFICATE

The undersigned hereby certifies that he/she is the duly elected and acting ┤_____├ of ┤AEP TEXAS INC.├, as servicer (the "Servicer") under the Transition Property Servicing Agreement dated as of September 18, 2019 (the "Servicing Agreement") between the Servicer and AEP Texas Restoration Funding LLC (the "Issuer") and further that:

1. The undersigned is responsible for assessing the Servicer's compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB (the "Servicing Criteria").

2. With respect to each of the Servicing Criteria, the undersigned has made the following assessment of the Servicing Criteria in accordance with Item 1122(d) of Regulation AB, with such discussion regarding the performance of such Servicing Criteria during the fiscal year covered by the Depositor's annual report on Form 10-K Report (such fiscal year, the "Assessment Period"):

	Servicing Criteria	**Applicable Servicing Criteria**
Reference	**Criteria**	
	General Servicing Considerations	
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	Not applicable; no servicing activities were outsourced.
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for the pool assets are maintained.	Not applicable; documents do not provide for a back-up servicer.
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	Not applicable; PUCT rules impose credit standards on retail electric providers who handle customer collections and govern performance requirements of utilities.

	Servicing Criteria	Applicable Servicing Criteria
Reference	**Criteria**	
1122(d)(1)(v)	Aggregation of information, as applicable, is mathematically accurate and the information conveyed accurately reflects the information.	Applicable
	Cash Collection and Administration	
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days of receipt, or such other number of days specified in the transaction agreements.	Applicable
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	Applicable
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	Applicable, but no current assessment required; no advances by the Servicer are permitted under the transaction agreements.
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	Applicable, but no current assessment is required since transaction accounts are maintained by and in the name of the Indenture Trustee.
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Securities Exchange Act.	Applicable, but no current assessment required; all "custodial accounts" are maintained by the Indenture Trustee.
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	Not applicable; all transfers made by wire transfer.
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations (A) are mathematically accurate; (B) are prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) are reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	Applicable; assessment below.

	Servicing Criteria	Applicable Servicing Criteria
Reference	**Criteria**	
	Investor Remittances and Reporting	
1122(d)(3)(i)	Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the Commission as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the Servicer.	Applicable; assessment below.
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	Not applicable; investor records maintained by Indenture Trustee.
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the Servicer's investor records, or such other number of days specified in the transaction agreements.	Applicable
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	Applicable; assessment below.
	Pool Asset Administration	
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	Applicable; assessment below.
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	Applicable; assessment below.
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	Not applicable; no removals or substitutions of transition property are contemplated or allowed under the transaction documents.

	Servicing Criteria	Applicable Servicing Criteria
Reference	**Criteria**	
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the Servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	Applicable; assessment below.
1122(d)(4)(v)	The Servicer's records regarding the pool assets agree with the Servicer's records with respect to an obligor's unpaid principal balance.	Not applicable; because underlying obligation (system restoration charge) is not an interest bearing instrument.
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool asset (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	Applicable; assessment below
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	Applicable; limited assessment below. Servicer actions governed by PUCT regulations.
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	Applicable, but does not require assessment since no explicit documentation requirement with respect to delinquent accounts are imposed under the transactional documents due to availability of "true-up" mechanism.
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	Not applicable; system restoration charges are not interest bearing instruments.

	Servicing Criteria	Applicable Servicing Criteria
Reference	**Criteria**	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool asset, or such other number of days specified in the transaction agreements.	Applicable; Servicer maintains REP deposit accounts in accordance with PUCT rules and regulations.
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	Not applicable; Servicer does not make payments on behalf of obligors.
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers under the transaction documents.
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers to pay principal or interest on the bonds.
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectable accounts are recognized and recorded in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	Not applicable; no external enhancement is required under the transaction documents.

3. To the best of the undersigned's knowledge, based on such review, the Servicer is in compliance in all material respects with the applicable servicing criteria set forth above as of and for the period ending the end of the fiscal year covered by the Depositor's annual report on Form 10-K. [If not true, include description of any material instance of noncompliance.]

4. A registered public accounting firm has issued an attestation report on the undersigned's assessment of compliance with the applicable servicing criteria set forth above as of and for the period ending the end of the fiscal year covered by the Depositor's annual report on Form 10-K.

Executed as of this _____ day of _____, ____.

[AEP TEXAS INC.]

By: _____
Name:
Title:

EXHIBIT C-2

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [_____] of [NAME OF SERVICER], as servicer (the "Servicer") under the Transition Property Servicing Agreement dated as of September 18, 2019 (the "Servicing Agreement") between the Servicer and AEP Texas Restoration Funding LLC (the "Issuer") and further that:

1. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the twelve months ended [_____], [____] has been made under the supervision of the undersigned pursuant to Section 3.03 of the Servicing Agreement; and

2. To the best of the undersigned's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under the Servicing Agreement throughout the twelve months ended [_____], [_____], except as set forth on Annex A hereto.

Executed as of this _____ day of _____, ____.

[NAME OF SERVICER]

By: _____
Name:
Title:

ANNEX A
TO CERTIFICATE OF COMPLIANCE

LIST OF SERVICER DEFAULTS

The following Servicer Defaults, or events which with the giving of notice, the lapse of time, or both, would become Servicer Defaults known to the undersigned occurred during the year ended [_____]:

Nature of Default	Status

SCHEDULE 4.01(a)

EXPECTED AMORTIZATION SCHEDULE

See Attached.

ANNEX I

The Servicer agrees to comply with the following servicing procedures:

SECTION 1. DEFINITIONS.

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Transition Property Servicing Agreement (the "Agreement").

(b) Whenever used in this Annex I, the following words and phrases shall have the following meanings:

"Applicable MDMA" means with respect to each Customer, the meter data management agent providing meter reading services for that Customer's account.

"Billed SRCs" means the amounts of System Restoration Charges billed by the Servicer, whether billed directly to Customers by the Servicer or indirectly through REPs.

"Other Providers" means each electric utility, municipally owned utility and/or cooperative, which, pursuant to the Tariff, any other tariffs filed with the PUCT, or any agreement with AEP Texas, is obligated to bill, pay or collect System Restoration Charges.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under this Annex I, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself and, if applicable, others.

SECTION 2. DATA ACQUISITION.

(a) Installation and Maintenance of Meters. Except to the extent that a REP is responsible for such services, the Servicer shall cause to be installed, replaced and maintained meters in such places and in such condition as will enable the Servicer to obtain usage measurements for each Customer at least once every Billing Period. To the extent an Other Provider is responsible for such services, such Other Provider may obtain usage measurements for each Customer less frequently than once every Billing Period in accordance with its current practices so long as the PUCT Regulations so permit and the number of retail Customers of any such Other Provider for whom such modified terms apply shall be less than 5,000 as of the end of the preceding calendar year. To the extent a REP is responsible for such services, but not performing such services, the Servicer shall take all reasonably necessary actions to obtain usage measurements for each Customer at least once every Billing Period.

(b) Meter Reading. At least once each Billing Period, the Servicer shall obtain usage measurements from the Applicable MDMA for each Customer; provided, however, that the Servicer may estimate any Customer's usage determined in accordance with applicable PUCT Regulations.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the routine metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any REP as a result of new metering and/or billing technologies.

(d) ERCOT. The Servicer shall take all reasonable actions available under PUCT Regulations to obtain timely information from ERCOT (or, if such information is not available from ERCOT, directly from the Applicable MDMA) which is necessary for the Servicer to fulfill its obligations under the Servicing Agreement.

SECTION 3. USAGE AND BILL CALCULATION.

The Servicer (a) shall obtain a calculation of each Customer's usage (which may be based on data obtained from such Customer's meter read or on usage estimates determined in accordance with applicable PUCT Regulations) at least once each Billing Period; provided, however that the Servicer may obtain such calculations less frequently for those Customers whose usage is calculated by Other Providers in accordance with such Other Provider's current practices so long as the PUCT Regulations so permit and the number of retail Customers of any such Other Provider for whom such modified terms apply shall be less than 5,000 as of the end of the preceding calendar year; and (b) shall either (i) determine therefrom each Customer's individual System Restoration Charges to be included on Bills issued by it to such Customer or to the Applicable REP or Other Provider responsible for billing such Customer, or (ii) where the Applicable REP or Other Provider is responsible for billing the Customers, allow the Applicable REP or Other Provider, rather than the Servicer, to determine such Customers' individual System Restoration Charges to be included on such Customers' Bills based on billing factors provided by the Servicer, and, in such case, the Servicer shall deliver to the Applicable REP or Other Provider such billing factors as are necessary for the Applicable REP or Other Provider to calculate such Customers' respective System Restoration Charges as such charges may change from time to time pursuant to the True-Up Adjustments.

SECTION 4. BILLING.

The Servicer shall implement the System Restoration Charges as of the Closing Date and shall thereafter bill each Customer or, with respect to Customers billed by a REP or Other Provider, the Applicable REP or Other Provider, for the respective Customer's outstanding current and past due System Restoration Charges accruing through the date on which the System Restoration Charges may no longer be billed under the Tariff, all in accordance with the following:

(a) Frequency of Bills; Billing Practices. In accordance with the Servicer's then-existing Servicer Policies and Practices for its own charges, as such Servicer Policies and Practices may be modified from time to time, the Servicer shall generate and issue a Bill to each Customer, or, where the Applicable REP or Other Provider is responsible for billing the Customers, to the Applicable REP or Other Provider, for such Customers' System Restoration Charges once every applicable Billing Period, at the same time, with the same frequency and on the same Bill as that containing the Servicer's own charges to such Customers, REPs or Other Providers, as the case may be; provided, however, that the Servicer may bill Other Providers less frequently in accordance with its current practices so long as the PUCT Regulations so permit and the number of retail Customers of any such Other Provider for whom such modified billing terms apply shall be less than 5,000 as of the end of the preceding calendar year. In the event that the Servicer makes any material modification to these practices, it shall notify the Issuer, the Indenture Trustee, and the Rating Agencies prior to the effectiveness of any such modification; provided, however, that the Servicer may not make any modification that will materially adversely affect the Holders as evidenced by an Officer's Certificate of the Issuer.

(b) Format.

(i) Each Bill issued by the Servicer shall contain the charge corresponding to the respective System Restoration Charges owed by such Customer for the applicable Billing Period. The System Restoration Charges shall be separately identified if required by and in accordance with the terms of the Financing Order and the Tariff. If such charges are not separately identified, the Servicer shall provide, and unless prohibited by applicable PUCT Regulations, shall cause each Applicable REP to provide, Customers with the annual notice required by Section 4.01(c)(iii)(B) of the Servicing Agreement.

(ii) Where a REP is responsible for billing the Customers, the Servicer shall deliver to the Applicable REP itemized charges for such Customer setting forth such Customers' System Restoration Charges.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to Customers and REPs in accordance with, if applicable, the Financing Order, Tariff, other tariffs and any other PUCT Regulations. To the extent that Bill format, structure and text are not prescribed by the Utilities Code or by applicable PUCT Regulations, the Servicer shall, subject to clauses (i) and (ii) above, determine the format, structure and text of all Bills in accordance with its reasonable business judgment, its Servicer Policies and Practices with respect to its own charges and prevailing industry standards.

(c) Delivery. The Servicer shall deliver all Bills issued by it (i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices followed by the Servicer with respect to its own charges to its customers or (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use to present its own charges to its customers. Where a REP is responsible for billing the Customers, the Servicer shall deliver all Bills to the Applicable REP by such means as are prescribed by applicable PUCT Regulations, or if not prescribed by applicable PUCT Regulations, by such means as are mutually agreed upon by the Servicer and the Applicable REP and are consistent with PUCT Regulations. The Servicer or each REP, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. CUSTOMER SERVICE FUNCTIONS.

The Servicer shall handle all Customer inquiries and other Customer service matters according to the same procedures it uses to service Customers with respect to its own charges.

SECTION 6. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE.

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall use reasonable efforts to collect all Billed SRCs from Customers and Third-Party Collectors as and when the same become due and shall follow such collection procedures as it follows with respect to comparable assets that it services for itself or others, including with respect to the following:

(A) The Servicer shall prepare and deliver overdue notices to Customers and REPs in accordance with applicable PUCT Regulations and Servicer Policies and Practices.

(B) The Servicer shall apply late payment charges to outstanding Customer and REP balances in accordance with applicable PUCT Regulations and as required by the Financing Order.

(C) In circumstances where the Servicer is allowed to bill Customers directly, the Servicer shall deliver verbal and written final notices of delinquency and possible disconnection in accordance with applicable PUCT Regulations and Servicer Policies and Practices.

(D) The Servicer shall adhere to and carry out disconnection policies and termination of REP billing in accordance with the Utilities Code, the Financing Order, applicable PUCT Regulations and the Servicer Policies and Practices.

(E) The Servicer may employ the assistance of collection agents to collect any past-due System Restoration Charges in accordance with applicable PUCT Regulations and Servicer Policies and Practices and the Tariff.

(F) The Servicer shall apply Customer and REP deposits to the payment of delinquent accounts in accordance with applicable PUCT Regulations and Servicer Policies and Practices and according to the priorities set forth in Section 6(b)(ii), (iii), (iv) and (v) of this Annex I.

(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action: (A) would be in accordance with the Servicer's customary practices or those of any successor Servicer with respect to comparable assets that it services for itself and for others; (B) would not materially adversely affect the rights of the Holders as evidenced by an Officer's Certificate of the Issuer; and (C) would comply with applicable law; provided, however, that notwithstanding anything in the Agreement or this Annex I to the contrary, the Servicer is authorized to write off any Billed SRCs, in accordance with its Servicer Policies and Practices, that have remained outstanding for one hundred eighty (180) days or more.

(iii) The Servicer shall accept payment from Customers in respect of Billed SRCs in such forms and methods and at such times and places as it accepts for payment of its own charges. The Servicer shall accept payment from REPs in respect of Billed SRCs in such forms and methods and at such times and places as the Servicer and each REP shall mutually agree in accordance with, if applicable, the Financing Order, Tariff, other tariffs and any other PUCT Regulations.

(b) Payment Processing; Allocation; Priority of Payments.

(i) The Servicer shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than three (3) Business Days after receipt.

(ii) Subject to clause (iii) below, the Servicer shall apply payments received to each Customer's or each Applicable REP's account in proportion to the charges contained on the outstanding Bill to such Customer or Applicable REP.

(iii) Any amounts collected by the Servicer that represent partial payments of the total Bill to a Customer or REP shall be allocated as follows: (A) first to amounts owed to the Issuer, AEP Texas and any other affiliate of AEP Texas which is owed "transition charges" as defined in Section 39.302(7) (including as modified by Section 36.403(f) to include system restoration charges) of the Securitization Law and other fees and charges, (excluding any late fees), regardless of age, pro rata in proportion to their respective percentages of the total amount of their combined outstanding charges on such Bill; then (B) all late charges shall be allocated to the Servicer; provided that penalty payments owed on late payments of System Restoration Charges shall be allocated to the Issuer in accordance with the terms of the Tariff. As provided in the Intercreditor Agreement, if more than one issue of system restoration bonds or transition bonds issued under the Securitization Law is outstanding, the Servicer shall allocate, or cause to the allocated, amounts owed to the Issuer and to each other issuer of system restoration bonds or transition bonds ratably based upon the total amount of system restoration charges or transition charges, as applicable, on such bill which were billed in respect to each such issue of system restoration bonds or transition bonds.

(iv) The Servicer shall hold all over-payments for the benefit of the Issuer and AEP Texas and shall apply such funds to future Bill charges in accordance with clauses (ii) and (iii) as such charges become due.

(v) For Customers on a Budget Billing Plan, the Servicer shall treat SRC Payments received from such Customers as if such Customers had been billed for their respective System Restoration Charges in the absence of the Budget Billing Plan; partial payment of a Budget Billing Plan payment shall be allocated according to clause (iii) and overpayment of a Budget Billing Plan payment shall be allocated according to clause (iv).

(c) Accounts; Records.

The Servicer shall maintain accounts and records as to the Transition Property accurately and in accordance with its standard accounting procedures and in sufficient detail (i) to permit reconciliation between payments or recoveries with respect to the Transition Property and the amounts from time to time remitted to the Collection Account in respect of the Transition Property and (ii) to permit the SRC Collections held by the Servicer to be accounted for separately from the funds with which they may be commingled, so that the dollar amounts of SRC Collections commingled with the Servicer's funds may be properly identified and traced.

(d) Investment of SRC Payments Received.

Prior to each Daily Remittance, the Servicer may invest SRC Payments received at its own risk and (except as required by applicable PUCT Regulations) for its own benefit. So long as the Servicer complies with its obligations under Section 6(c), neither such investments nor such funds shall be required to be segregated from the other investment and funds of the Servicer.

(e) Calculation of Daily Remittance.

(i) For purposes of calculating the Daily Remittance, (i) all Billed SRCs shall be deemed to be collected the same number of days after billing as is equal to the Weighted Average Days Outstanding then in effect and (ii) the Servicer will, on each Servicer Business Day, remit to the Indenture Trustee for deposit in the Collection Account an amount equal to the product of the applicable Billed SRCs multiplied by one hundred percent less the system wide charge-off percentage used by the Servicer to calculate the most recent Periodic Billing Requirement. Such product shall constitute the amount of Estimated SRC Collections for such Servicer Business Day. Pursuant to Section 6.11(c) of the Agreement, commencing no later than September 25, 2020, the Servicer shall calculate in each Monthly Servicer's Certificate the amount of Actual SRC Collections for the first Collection Period of the Reconciliation Period as compared to the Estimated SRC Collections forwarded to the Collection Account in respect of such calendar month. No Excess Remittance shall be withdrawn from the Collection Account if such withdrawal would cause the amounts on deposit in the General Subaccount or the Excess Funds Subaccount to be insufficient for the payment of the next installment of interest or principal due at maturity on the next Payment Date or upon acceleration on or before the next Payment Date on the System Restoration Bonds. The Servicer shall be allowed to use the proceeds from any Excess Remittance to reimburse any Applicable REPs for the excess of their remittances over actual SRC Payments received by such REPs in accordance with the terms of PUCT Regulations.

(ii) On or before August 15 of each year in accordance with Section 4.01(b) of the Agreement, the Servicer shall, in a timely manner so as to perform all required calculations under such Section 4.01(b), update the Weighted Average Days Outstanding and the system-wide charge-off percentage in order to be able to calculate the Periodic Billing Requirement for the next True-Up Adjustment and to calculate any change in the Daily Remittances for the next Calculation Period.

(iii) The Servicer and the Issuer acknowledge that, as contemplated in Section 8.01(b) of the Agreement, the Servicer may make certain changes to its current computerized customer information system, which changes, when functional, would affect the Servicer's method of calculating the SRC Payments estimated to have been received by the Servicer during each Collection Period as set forth in this Annex I. Should these changes to the computerized customer information system become functional during the term of the Agreement, the Servicer and the Issuer agree that they shall review the procedures used to calculate the SRC Payments estimated to have been received in light of the capabilities of such new system and shall amend this Annex I in writing to make such modifications and/or substitutions to such procedures as may be appropriate in the interests of efficiency, accuracy, cost and/or system capabilities; provided, however, that the Servicer may not make any modification or substitution that will materially adversely affect the Holders as evidenced by an Officer's Certificate of the Issuer. As soon as practicable, and in no event later than sixty (60) Business Days after the date on which all Customer accounts are being billed under such new system, the Servicer shall notify the Issuer, the Indenture Trustee and the Rating Agencies of the same.

(iv) All calculations of collections, each update of the Weighted Average Days Outstanding or system-wide charge off percentage and any changes in procedures used to calculate the Estimated SRC Payments pursuant to this Section 6(e) shall be made in good faith, and in the case of any update pursuant to clause (ii) above or any change in procedures pursuant to clause (iii) above, in a manner reasonably intended to provide estimates and calculations that are at least as accurate as those that would be provided on the Closing Date utilizing the initial procedures.

(f) Remittances.

(i) The Issuer shall cause to be established the Collection Account in the name of the Indenture Trustee in accordance with the Indenture.

(ii) The Servicer shall make remittances to the Collection Account in accordance with Section 6.11 of the Agreement.

(iii) In the event of any change of account or change of institution affecting any Collection Account, the Issuer shall provide written notice thereof to the Servicer and the Rating Agencies not later than five (5) Business Days from the effective date of such change.

EXHIBIT 10.2

TRANSITION PROPERTY PURCHASE AND SALE AGREEMENT

by and between

AEP TEXAS RESTORATION FUNDING LLC,

Issuer

and

AEP TEXAS INC.,

Seller

Dated as of September 18, 2019

TABLE OF CONTENTS

This TRANSITION PROPERTY PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of September 18, 2019, is between AEP Texas Restoration Funding LLC, a Delaware limited liability company (the "Issuer"), and AEP Texas Inc., a Delaware corporation (together with its successors in interest to the extent permitted hereunder, the "Seller").

RECITALS

WHEREAS, the Issuer desires to purchase the Transition Property created pursuant to the Securitization Law;

WHEREAS, the Seller is willing to sell its rights and interests under the Financing Order to the Issuer whereupon such rights and interests will become the Transition Property;

WHEREAS, the Issuer, in order to finance the purchase of the Transition Property, will issue the System Restoration Bonds under the Indenture; and

WHEREAS, the Issuer, to secure its obligations under the System Restoration Bonds and the Indenture, will pledge, among other things, all right, title and interest of the Issuer in and to the Transition Property and this Agreement to the Indenture Trustee for the benefit of the Secured Parties.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions. (a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in that certain Indenture (including Appendix A thereto) dated as of the date hereof between the Issuer and U.S. Bank National Association, a national banking association, in its capacity as indenture trustee (the "Indenture Trustee") and in its separate capacity as a securities intermediary (the "Securities Intermediary"), as the same may be amended, restated, supplemented or otherwise modified from time to time.

(b) Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A hereto delivered pursuant to Section 2.02(i).

"Losses" means (i) any and all amounts of principal and interest on the System Restoration Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amounts of any deposits by or to the Issuer required to have been made in accordance with the terms of the Basic Documents or the Financing Order which are not made when so required and (ii) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

"Transition Property" means all of the Seller's rights and interests under the Financing Order.

SECTION 1.02. Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

ARTICLE II
CONVEYANCE OF TRANSITION PROPERTY

SECTION 2.01. Conveyance of Transition Property. (a) In consideration of the Issuer's delivery to or upon the order of the Seller of $231,184,014, subject to the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse or warranty, except as set forth herein, all right, title and interest of the Seller in and to the Transition Property (such sale, transfer, assignment, setting over and conveyance of the Transition Property includes, to the fullest extent permitted by the Securitization Law, the right to impose, collect and receive System Restoration Charges and the assignment of all revenues, collections, claims, rights, payments, money or proceeds of or arising from the System Restoration Charges related to the Transition Property, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale and, pursuant to Section 39.308 (as incorporated through Section 36.403(a)) of the Securitization Law and other applicable law, shall be 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 Transition Property. The Seller and the Issuer agree that after giving effect to the sale, transfer, assignment, setting over and conveyance contemplated hereby the Seller has no right, title or interest in or to the Transition Property to which a security interest could attach because (i) it has sold, transferred, assigned, set over and conveyed all right, title and interest in and to the Transition Property to the Issuer, (ii) as provided in Section 39.304 (as incorporated through Section 36.403(a)) of the Securitization Law, such rights are only contract rights until the time of such sale, transfer, assignment, setting over and conveyance and (iii) as provided in Section 39.309(c) (as incorporated through Section 36.403(a)) of the Securitization Law, appropriate notice has been filed and such transfer is perfected against all third parties, including subsequent judicial or other lien creditors. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 39.308 (as incorporated through Section 36.403(a)) of the Securitization Law, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Transition Property and as the creation of a security interest (within the meaning of the Securitization Law and the UCC) in the Transition Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Transition Property to the Issuer, the Seller hereby grants a security interest in the Transition Property to the Issuer (and to the Indenture Trustee for the benefit of the Secured Parties) to secure their respective rights under the Basic Documents to receive the System Restoration Charges and all other Transition Property.

(b) Subject to Section 2.02, the Issuer does hereby purchase the Transition Property from the Seller for the consideration set forth in Section 2.01(a).

SECTION 2.02. Conditions to Conveyance of Transition Property. The obligation of the Issuer to purchase Transition Property on the Closing Date shall be subject to the satisfaction of each of the following conditions:

(i) on or prior to the Closing Date, the Seller shall have delivered to the Issuer a duly executed Bill of Sale identifying the Transition Property to be conveyed on the Closing Date;

(ii) on or prior to the Closing Date, the Seller shall have received the Financing Order creating the Transition Property;

(iii) as of the Closing Date, the Seller is not insolvent and will not have been made insolvent by such sale and the Seller is not aware of any pending insolvency with respect to itself;

(iv) as of the Closing Date, the representations and warranties of the Seller set forth in this Agreement shall be true and correct with the same force and effect as if made on the Closing Date (except to the extent that they relate to an earlier date); on and as of the Closing Date no breach of any covenant or agreement of the Seller contained in this Agreement has occurred and is continuing; and no Servicer Default shall have occurred and be continuing;

(v) as of the Closing Date, (A) the Issuer shall have sufficient funds available to pay the purchase price for the Transition Property to be conveyed on such date and (B) all conditions to the issuance of the System Restoration Bonds intended to provide such funds set forth in the Indenture shall have been satisfied or waived;

(vi) on or prior to the Closing Date, the Seller shall have taken all action required to transfer to the Issuer ownership of the Transition Property to be conveyed on such date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Basic Documents and to perfect such transfer, including, without limitation, filing any statements or filings under the Securitization Law or the UCC; and the Issuer or the Servicer, on behalf of the Issuer, shall have taken any action required for the Issuer to grant the Indenture Trustee a first priority perfected security interest in the System Restoration Bond Collateral and maintain such security interest as of such date;

(vii) the Seller shall have delivered to the Rating Agencies and the Issuer any Opinions of Counsel required by the Rating Agencies;

(viii) the Seller shall have received and delivered to the Issuer and the Indenture Trustee an opinion or opinions of outside tax counsel (as selected by the Seller, and in form and substance reasonably satisfactory to the Issuer and the Underwriters) to the effect that (i) the Issuer will not be subject to United States federal income tax as an entity separate from its sole owner and that the System Restoration Bonds will be treated as debt of the Issuer's sole owner for United States federal income tax purposes, and (ii) the issuance of the System Restoration Bonds will not result in gross income to the Seller. The opinion of outside tax counsel described above may, if the Seller so chooses, be conditioned on the receipt by the Seller of one or more letter rulings from the Internal Revenue Service (unless the Internal Revenue Service has announced that it will not rule on the issues described in this paragraph) and in rendering such opinion outside tax counsel shall be entitled to rely on the rulings contained in such ruling letters and to rely on the representations made, and information supplied, to the Internal Revenue Service in connection with such letter rulings;

(ix) on and as of the Closing Date, each of the LLC Agreement, the Servicing Agreement, this Agreement, the Indenture, the Financing Order, the Tariff and the Securitization Law shall be in full force and effect;

(x) the System Restoration Bonds shall have received a rating or ratings required by the Financing Order; and

(xi) the Seller shall have delivered to the Indenture Trustee and the Issuer an Officers' Certificate confirming the satisfaction of each condition precedent specified in this Section 2.02.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to Sections 3.09, the Seller makes the following representations and warranties, as of the Closing Date, and the Seller acknowledges that the Issuer has relied thereon in acquiring the Transition Property. The representations and warranties shall survive the sale and transfer of Transition Property to the Issuer and the pledge thereof to the Indenture Trustee pursuant to the Indenture. The Seller agrees that (i) the Issuer may assign the right to enforce the following representations and warranties to the Indenture Trustee and (ii) the representations and warranties inure to the benefit of the Issuer and the Indenture Trustee.

SECTION 3.01. Organization and Good Standing. The Seller is a corporation duly organized and validly existing and is in good standing under the laws of the state of its organization, with the requisite corporate or other power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by it, and has the requisite corporate or other power and authority to obtain the Financing Order and own the rights and interests under the Financing Order and to sell and assign those rights and interests to the Issuer, whereupon (subject to the effectiveness of the Issuance Advice Letter) such rights and interests shall become "transition property" as defined in Section 39.302(8) (as incorporated through Section 36.403(a)) of the Securitization Law.

SECTION 3.02. Due Qualification. The Seller is duly qualified to do business and 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 shall require such 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).

SECTION 3.03. Power and Authority. The Seller has the requisite corporate or other power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Seller under its organizational or governing documents and laws.

SECTION 3.04. Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' or secured parties' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

SECTION 3.05. No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not and will not: (i) conflict with or result in any breach of any of the terms and provisions of, nor 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; (ii) result in the creation or imposition of any Lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted in the Issuer's favor or any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law or any Lien that may be granted under the Basic Documents); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Seller of any Governmental Authority having jurisdiction over the Seller or its properties.

SECTION 3.06. No Proceedings. There are no proceedings pending and, to the Seller's knowledge, there are no proceedings threatened and, to the Seller's knowledge, there are no investigations pending or threatened, before any Governmental Authority having jurisdiction over the Seller or its properties involving or relating to the Seller or the Issuer or, to the Seller's knowledge, any other Person: (i) asserting the invalidity of the Securitization Law, the Financing Order, this Agreement, any of the other Basic Documents or the System Restoration Bonds, (ii) seeking to prevent the issuance of the System Restoration Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents, (iii) seeking any determination or ruling 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 the Securitization Law, the Financing Order, this Agreement, any of the other Basic Documents or the System Restoration Bonds or (iv) seeking to adversely affect the federal income tax or state income or franchise tax classification of the System Restoration Bonds as debt.

SECTION 3.07. Approvals. Except for UCC financing statement filings and other filings under the Securitization Law, no approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the execution and delivery by the Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement.

SECTION 3.08. The Transition Property.

(a) Information. Subject to subsection (f) below, at the Closing Date, all written information, as amended or supplemented from time to time, provided by the Seller to the Issuer with respect to the Transition Property (including the Expected Amortization Schedule, the Financing Order and the Issuance Advice Letter relating thereto) is true and correct in all material respects.

(b) Title. It is the intention of the parties hereto that (other than for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes) the transfers and assignments herein contemplated each constitute a sale and absolute transfer of the Transition Property from the Seller to the Issuer and that no interest in, or right or title to, the Transition Property shall be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. No portion of the Transition Property has been sold, transferred, assigned or pledged or otherwise conveyed by the Seller to any Person other than the Issuer, and no security agreement, financing statement or equivalent security or lien instrument listing the Seller as debtor covering all or any part of the Transition Property is on file or of record in any jurisdiction, except such as may have been filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents. The Seller has not authorized the filing of and is not aware (after due inquiry) of any financing statement against it that includes a description of collateral including the Transition Property other than any financing statement filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents. The Seller is not aware (after due inquiry) of any judgment or tax lien filings against either the Seller or the Issuer. At the Closing Date, immediately prior to the sale of the Transition Property hereunder, the Seller is the original and the sole owner of the Transition Property free and clear of all Liens and rights of any other Person, and no offsets, defenses or counterclaims exist or have been asserted with respect thereto.

(c) Transfer Filings. On the Closing Date, immediately upon the sale hereunder, the Transition Property shall be validly transferred and sold to the Issuer, the Issuer shall own all the Transition Property free and clear of all Liens (except for any Lien created in favor of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law or any Lien that may be granted under the Basic Documents) and all filings and action to be made or taken by the Seller (including, without limitation, filings with the Secretary of State of the State of Texas under the Securitization Law) necessary in any jurisdiction to give the Issuer a perfected ownership interest (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law and any Lien that may be granted under the Basic Documents) in the Transition Property have been made or taken. No further action is required to maintain such ownership interest (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law and any Lien that may be granted under the Basic Documents) and to give the Indenture Trustee a first priority perfected security interest in the Transition Property. All filings and action have also been made or taken to perfect the security interest in the Transition Property granted by the Seller to the Issuer (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law and any Lien that may be granted under the Basic Documents) and, to the extent necessary, the Indenture Trustee pursuant to Section 2.01.

(d) Financing Order, Issuance Advice Letter and Tariff; Other Approvals. On the Closing Date, under the laws of the State of Texas and the United States in effect on the Closing Date, (i) the Financing Order pursuant to which the rights and interests of the Seller, including the right to impose, collect and receive the System Restoration Charge and, in and to the Transition Property transferred on such date have been created, is Final and non-appealable and is in full force and effect; (ii) as of the issuance of the System Restoration Bonds, the System Restoration Bonds are entitled to the protection of the Securitization Law and, accordingly, the Financing Order, the System Restoration Charges and the Issuance Advice Letter are not revocable by the PUCT; (iii) as of the issuance of the System Restoration Bonds, the Tariff is in full force and effect and is not subject to modification by the PUCT except as provided under Section 39.307 (as incorporated through Section 36.403(a)) of the Securitization Law; (iv) the process by which the Financing Order creating the Transition Property transferred on such date was adopted and approved, and the Financing Order, Issuance Advice Letter and Tariff themselves, comply with all applicable laws, rules and regulations; (v) the Issuance Advice Letter and the Tariff relating to the Transition Property transferred on such date have been filed in accordance with the Financing Order creating the Transition Property transferred on such date and an officer of the Seller has provided the certification to the PUCT required by the Issuance Advice Letter; and (vi) no other approval, authorization, consent, order or other action of, or filing with any Governmental Authority is required in connection with the creation of the Transition Property transferred on such date, except those that have been obtained or made.

(e) State Action. Under the Securitization Law, the State of Texas has pledged that it will not take or permit any action that would impair the value of the Transition Property transferred on such date, or, except as permitted by Section 39.307 (as incorporated through Section 36.403(a)) of the Securitization Law, reduce, alter or impair the System Restoration Charges relating to the Transition Property until the principal, interest and premium and any other charges incurred and contracts to be performed in connection with the System Restoration Bonds relating to the Transition Property have been paid and performed in full. Under the laws of the State of Texas and the United States, the State of Texas could not constitutionally take any action of a legislative character including the repeal or amendment of the Securitization Law, which would substantially limit, alter or impair the Transition Property or other rights vested in the Holders pursuant to the Financing Order or substantially limit, alter, impair or reduce the value or amount of the Transition Property, unless such action is a reasonable exercise of the sovereign powers of the State of Texas and of a character reasonable and appropriate to further a legitimate public purpose, and, under the takings clauses of the United States and Texas Constitutions, the State of Texas could not repeal or amend the Securitization Law or take any other action in contravention of its pledge quoted above without paying just compensation to the Holders, as determined by a court of competent jurisdiction if doing so would constitute a permanent appropriation of a substantial property interest of the Holders in the Transition Property and deprive the Holders of their reasonable expectations arising from their investments in the System Restoration Bonds. There is no assurance, however, 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 System Restoration Bonds.

(f) Assumptions. On the Closing Date, based upon the information available to the Seller on such date, the assumptions used in calculating the System Restoration Charges are reasonable and are made in good faith. Notwithstanding the foregoing, the Seller makes no representation or warranty, express or implied, that amounts actually collected arising from those System Restoration Charges will in fact be sufficient to meet the payment obligations on the related System Restoration Bonds or that the assumptions used in calculating such System Restoration Charges will in fact be realized.

(g) Creation of Transition Property. Upon the effectiveness of the Financing Order, the Issuance Advice Letter and the Tariff with respect to the Transition Property and the transfer of the Transition Property pursuant to this Agreement: (i) the rights and interests of the Seller under the Financing Order, including the right to impose, collect and receive the System Restoration Charges authorized in the Financing Order, become "transition property" as defined in Section 39.302(8) (as incorporated through Section 36.403(a)) of the Securitization Law; (ii) the Transition Property constitutes a present property right vested in the Issuer; (iii) the Transition Property includes (A) the right, title and interest of the Seller in the Financing Order and the System Restoration Charges and (B) the right to impose, collect and obtain periodic adjustments (with respect to adjustments, in the manner and with the effect provided in Section 4.01(b) of the Servicing Agreement) of such System Restoration Charges, and the rates and other charges authorized by the Financing Order and all revenues, collections, claims, payments, money or proceeds of or arising from the System Restoration Charges; (iv) the owner of the Transition Property is legally entitled to bill System Restoration Charges and collect payments in respect of the System Restoration Charges in the aggregate sufficient to pay the interest on and principal of the System Restoration Bonds in accordance with the Indenture, to pay the fees and expenses of servicing the System Restoration Bonds, to replenish the Capital Subaccount to the Required Capital Level until the System Restoration Bonds are paid in full or until the last date permitted for the collection of payments in respect of the System Restoration Charge under the Financing Order, whichever is earlier, and the Customer class allocation percentages in the Financing Order do not prohibit the owner of the Transition Property from obtaining adjustments and effecting allocations to the System Restoration Charges in order to collect payments of such amounts; and (v) the Transition Property is not subject to any Lien other than any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law or any Lien that may be granted under the Basic Documents.

(h) Nature of Representations and Warranties. The representations and warranties set forth in this Section 3.08, insofar as they involve conclusions of law, are made not on the basis that the Seller purports to be a legal expert or to be rendering legal advice, but rather to reflect the parties' good faith understanding of the legal basis on which the parties are entering into this Agreement and the other Basic Documents and the basis on which the Holders are purchasing the System Restoration Bonds, and to reflect the parties' agreement that, if such understanding turns out to be incorrect or inaccurate, the Seller will be obligated to indemnify the Issuer and its permitted assigns (to the extent required by and in accordance with Section 5.01), and that the Issuer and its permitted assigns will be entitled to enforce any rights and remedies under the Basic Documents, on account of such inaccuracy to the same extent as if the Seller had breached any other representations or warranties hereunder.

(i) Prospectus. As of the date hereof, the information describing the Seller under the caption "The Depositor, Seller, Initial Servicer and Sponsor" in the prospectus dated September 11, 2019 relating to the System Restoration Bonds is true and correct in all material respects.

(j) Solvency. After giving effect to the sale of the Transition Property hereunder, the Seller:

(i) is solvent and expects to remain solvent;

(ii) is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purpose;

(iii) is not engaged in nor does it expect to engage in a business for which its remaining property represents an unreasonably small capital;

(iv) reasonably believes that it will be able to pay its debts as they come due; and

(v) is able to pay its debts as they mature and does not intend to incur, or believes that it will not incur, indebtedness that it will not be able to repay at its maturity.

(k) No Court Order. There is no order by any court providing for the revocation, alteration, limitation or other impairment of the Securitization Law, the Financing Order, the Issuance Advice Letter, the Transition Property or the System Restoration Charges or any rights arising under any of them or that seeks to enjoin the performance of any obligations under the Financing Order.

(l) Survival of Representations and Warranties The representations and warranties set forth in this Section 3.08 shall survive the execution and delivery of this Agreement and may not be waived by any party hereto except pursuant to a written agreement executed in accordance with Article VI and as to which the Rating Agency Condition has been satisfied.

SECTION 3.09. Limitations on Representations and Warranties. Without prejudice to any of the other rights of the parties, the Seller will not be in breach of any representation or warranty, as a result of a change in law by means of any legislative enactment, constitutional amendment or voter initiative. THE SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, THAT BILLED SYSTEM RESTORATION CHARGES WILL BE ACTUALLY COLLECTED FROM CUSTOMERS.

ARTICLE IV
COVENANTS OF THE SELLER

SECTION 4.01. Existence. Subject to Section 5.02, so long as any of the System Restoration Bonds are Outstanding, the Seller (a) will keep in full force and effect its existence and remain in good standing under the laws of the jurisdiction of its organization, (b) will obtain and preserve its qualification to do business, in each case to the extent that in each such jurisdiction such existence or qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Basic Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Agreement and the transactions contemplated hereby or to the extent necessary for the Seller to perform its obligations hereunder or thereunder and (c) will continue to operate its electric transmission and distribution system to provide service to its customers (or, if transmission and distribution are split, to provide distribution service directly to its customers).

SECTION 4.02. No Liens. Except for the conveyances hereunder or any Lien under Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law in favor of the Indenture Trustee for the benefit of the Holders and any Lien that may be granted under the Basic Documents, the Seller will not sell, pledge, assign or transfer, or grant, create, incur, assume or suffer to exist any Lien on, any of the Transition Property, or any interest therein, and the Seller shall defend the right, title and interest of the Issuer and the Indenture Trustee, on behalf of the Secured Parties, in, to and under the Transition Property against all claims of third parties claiming through or under the Seller. AEP Texas, in its capacity as Seller, will not at any time assert any Lien against, or with respect to, any of the Transition Property.

SECTION 4.03. Delivery of Collections. In the event that the Seller receives any SRC Collections or other payments in respect of the System Restoration Charges or the proceeds thereof other than in its capacity as the Servicer, the Seller agrees to pay to the Servicer, on behalf of the Issuer, all payments received by it in respect thereof as soon as practicable after receipt thereof. Prior to such remittance to the Servicer by the Seller, the Seller agrees that such amounts are held by it in trust for the Issuer and the Indenture Trustee. 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 System Restoration Charges from any receivables or other assets pledged or sold under such arrangement.

SECTION 4.04. Notice of Liens. The Seller shall notify the Issuer and the Indenture Trustee promptly after becoming aware of any Lien on any of the Transition Property, other than the conveyances hereunder, any Lien under the Basic Documents or any Lien under Section 39.309 (as incorporated through Section 36.403(a)) of the Securitization Law created in favor of the Indenture Trustee for the benefit of the Holders.

SECTION 4.05. Compliance with Law. The Seller hereby 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 the Issuer's or the Indenture Trustee's interests in the Transition Property or under any of the other Basic Documents to which the Seller is party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which it is party.

SECTION 4.06. Covenants Related to System Restoration Bonds and Transition Property.

(a) So long as any of the System Restoration Bonds are outstanding, the Seller shall treat the Transition Property as the Issuer's property for all purposes other than financial reporting, state or federal regulatory or tax purposes, and treat the System Restoration Bonds as debt for all purposes and specifically as debt of the Issuer, other than for financial reporting, state or federal regulatory or tax purposes.

(b) Solely for the purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, for purposes of state, local and other taxes, so long as any of the System Restoration Bonds are outstanding, the Seller agrees to treat the System Restoration Bonds as indebtedness of the Seller (as the sole owner of the Issuer) secured by the System Restoration Bond Collateral unless otherwise required by appropriate taxing authorities.

(c) So long as any of the System Restoration Bonds are outstanding, the Seller shall disclose in its financial statements that the Issuer and not the Seller is the owner of the Transition Property and that the assets of the Issuer are not available to pay creditors of the Seller or its Affiliates (other than the Issuer).

(d) So long as any of the System Restoration Bonds are outstanding, the Seller shall not own or purchase any System Restoration Bonds.

(e) So long as the System Restoration Bonds are outstanding, the Seller shall disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles.

(f) The Seller agrees that, upon the sale by the Seller of the Transition Property to the Issuer pursuant to this Agreement, (i) to the fullest extent permitted by law, including applicable PUCT Regulations and the Securitization Law, the Issuer shall have all of the rights originally held by the Seller with respect to the Transition 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 Customer or REP in respect of the Transition 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 (ii) any payment by any Customer or REP directly to the Issuer shall discharge such Customer's or REP's obligations, if any, in respect of the Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(g) So long as any of the System Restoration Bonds are outstanding, (i) in all proceedings relating directly or indirectly to the Transition Property, the Seller shall 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), (ii) the Seller shall not make any statement or reference in respect of the Transition Property that is inconsistent with the ownership interest of the Issuer (other than for financial accounting or tax purposes or as required by state or federal regulatory purposes), (iii) the Seller shall not take any action in respect of the Transition Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as otherwise contemplated by the Basic Documents, (iv) the Seller shall not sell transition property under a separate financing order in connection with the issuance of additional transition bonds or system restoration bonds unless the Rating Agency Condition shall have been satisfied, and (v) neither the Seller nor the Issuer shall take any action, file any tax return, or make any election inconsistent with the treatment of the Issuer, for purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, for purposes of state, local and other taxes, as a disregarded entity that is not separate from the Seller (or, if relevant, from another sole owner of the Issuer).

SECTION 4.07. Protection of Title. The Seller shall execute and file such filings, including, without limitation, filings with the Secretary of State of the State of Texas pursuant to the Securitization Law, and cause to be executed and filed such filings, all in such manner and in such places as may be required by law to fully preserve, maintain, protect and perfect the ownership interest of the Issuer and the first priority security interest of the Indenture Trustee in the Transition Property, including, without limitation, all filings required under the Securitization Law and the UCC relating to the transfer of the ownership of the rights and interest in the Transition Property by the Seller to the Issuer or the pledge of the Issuer's interest in the Transition Property to the Indenture Trustee. The Seller shall deliver or cause to be delivered to the Issuer and the Indenture Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding necessary to compel performance by the PUCT, the State of Texas or any of their respective agents, of any of their obligations or duties under the Securitization Law, the Financing Order or the Issuance Advice Letter, and the Seller agrees to take such 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 the Issuer and the Secured Parties from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Article III or any covenant set forth in Article IV and (ii) to block or overturn any attempts to cause a repeal of, modification of or supplement to the Securitization Law, the Financing Order, the Issuance Advice Letter or the rights of Holders by legislative enactment or constitutional amendment that would be materially adverse to the Issuer or the Secured Parties or which would otherwise cause an impairment of the rights of the Issuer or the Secured Parties. The costs of any such actions or proceedings will be payable by the Seller.

SECTION 4.08. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, the Seller shall not, prior to the date which is one year and one day after the termination of the Indenture and payment in full of the System Restoration Bonds or any other amounts owed under the Indenture, petition or otherwise invoke or cause the Issuer to invoke the process of any Government Authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

SECTION 4.09. Taxes. So long as any of the System Restoration Bonds are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all 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 thereon 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 Transition Property; provided that no such tax need be paid if the Seller or one 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.

SECTION 4.10. Issuance Advice Letter. The Seller hereby agrees not to withdraw the filing of any Issuance Advice Letter with the PUCT.

SECTION 4.11. Tariff. The Seller hereby agrees to make all reasonable efforts to keep the Tariff in full force and effect at all times.

SECTION 4.12. Notice of Breach to Rating Agencies, Etc. Promptly after obtaining knowledge thereof, in the event of a breach in any material respect (without regard to any materiality qualifier contained in such representation, warranty or covenant) of any of the Seller's representations, warranties or covenants contained herein, the Seller shall promptly notify the Issuer, the Indenture Trustee, the PUCT and the Rating Agencies of such breach (with prior written notice to the Servicer in order to enable compliance with Section 8.14 of the Servicing Agreement). For the avoidance of doubt, any breach which would adversely affect scheduled payments on the System Restoration Bonds will be deemed to be a material breach for purposes of this Section 4.12.

SECTION 4.13. Use of Proceeds. The Seller shall use the proceeds of the sale of the Transition Property in accordance with the Financing Order and the Securitization Law.

SECTION 4.14. Further Assurances. Upon the request of the Issuer, the Seller shall execute and deliver such further instruments and do such further acts as may be reasonably necessary to carry out more effectually the provisions and purposes of this Agreement.

ARTICLE V
THE SELLER

SECTION 5.01. Liability of Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) The Seller shall indemnify the Issuer and the Indenture Trustee (for the benefit of the Secured Parties) and each of their 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 Holders as a result of their ownership of a System Restoration Bond) that may at any time be imposed on or asserted against any such Person as a result of the sale of the Transition Property to the Issuer, 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 any System Restoration Bond; it being understood that the Holders shall be entitled to enforce their rights against the Seller under this Section 5.01(b) solely through a cause of action brought for their benefit by the Indenture Trustee.

(c) The Seller shall indemnify the Issuer and the Indenture Trustee (for the benefit of the Secured Parties) and each of their 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 Holders as a result of their ownership of a System Restoration Bond) that may at any time be imposed on or asserted against any such Person as a result of the Issuer's ownership and assignment of the Transition Property, the issuance and sale by the Issuer of the System Restoration Bonds or 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 any System Restoration Bond.

(d) The Seller shall indemnify the Issuer, the Indenture Trustee (for the benefit of the Secured Parties) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against all Losses that may be imposed on, incurred by or asserted against each such Person, in each such case, as a result of the Seller's breach of any of its representations, warranties or covenants contained in this Agreement.

(e) Indemnification under Sections 5.01(b), 5.01(c), 5.01(d) and 5.01(f) shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses), except as otherwise expressly provided in this Agreement.

(f) The Seller shall indemnify the Indenture Trustee (for itself) and each Independent Manager, and any of their respective officers, directors, employees and agents (each, an "Indemnified Person") for, and defend and hold harmless each such Person from and against, any and all Losses incurred by any of such Indemnified Persons as a result of the Seller's breach of any of its representations and warranties or covenants contained in this Agreement, except to the extent of Losses either resulting from the willful misconduct, bad faith or gross negligence of such Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Seller's breach. The Seller shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any action, proceeding or investigation without the prior written consent of the Seller which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Person of notice of the commencement of any action, proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Seller under this Section 5.01(f), notify the Seller in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Seller shall relieve the Seller from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.01(f) only to the extent that the Seller suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 5.01(f), the Seller shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defense of any such action, proceeding or investigation (in which case the Seller shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); provided that the Indemnified Person shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Seller's election to assume the defense of any action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and the Seller shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the defendants in any such action include both the Indemnified Person and the Seller and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Seller, (ii) the Seller shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action, (iii) the Seller shall authorize the Indemnified Person to employ separate counsel at the expense of the Seller or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the Seller shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons other than one local counsel, if appropriate.

(g) The Seller shall indemnify the Servicer (if the Servicer is not the Seller) for the costs of any action instituted by the Servicer pursuant to Section 5.02(d) of the Servicing Agreement which are not paid as Operating Expenses in accordance with the priorities set forth in Section 8.02(e) of the Indenture.

(h) The remedies provided in this Agreement are the sole and exclusive remedies against the Seller for breach of its representations and warranties in this Agreement.

(i) Indemnification under this Section 5.01 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Securitization Law or the Financing Order and shall survive the resignation or removal of the Indenture Trustee or the termination of this Agreement and will rank in priority with other general, unsecured obligations of the Seller. The Seller shall not indemnify any party under this Section 5.01 for any changes in law after the Closing Date, whether such changes in law are effected by means of any legislative enactment, constitutional amendment or any final and non-appealable judicial decision.

SECTION 5.02. Merger, Conversion or Consolidation of, or Assumption of the Obligations of, Seller. Any Person (a) into which the Seller may be merged, converted or consolidated and which is a Permitted Successor, (b) that may result from any merger, conversion or consolidation to which the Seller shall be a party and which is a Permitted Successor, (c) that may succeed to the properties and assets of the Seller substantially as a whole and which is a Permitted Successor, (d) which is a successor entity resulting from the division of the Seller into two or more Persons and which is a Permitted Successor, or (e) which otherwise succeeds to all or substantially all of the electric transmission and distribution business of the Seller (or, if transmission and distribution are not provided by a single entity, which provides wire service directly to customers taking service at facilities, premises or loads located in the Texas AEP Central Division as of the date of the Financing Order) (a "Permitted Successor") and which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Seller hereunder (including the Seller's obligations under Section 5.01 incurred at any time prior to or after the date of such assumption), shall be the successor to the Seller under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation, warranty or covenant made pursuant to Article III or Article IV shall be breached and no Servicer Default, and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Seller shall have delivered to the Issuer, the Indenture Trustee and each Rating Agency an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, merger, division or succession and such agreement of assumption comply with this Section 5.02 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Seller shall have delivered to the Issuer, the Indenture Trustee and each Rating Agency an Opinion of Counsel from external counsel of the Seller either (A) stating that, in the opinion of such counsel, all filings to be made by the Seller and the Issuer, including filings with the PUCT pursuant to the Securitization Law, have been authorized, executed and filed that are necessary to fully maintain the respective interest of the Issuer and the Indenture Trustee in all of the Transition Property and reciting the details of such filings, or (B) stating that, in the opinion of such counsel, no such action shall be necessary to maintain such interests, (iv) the Seller shall have delivered to the Issuer, the Indenture Trustee, the Rating Agencies and the PUCT an Opinion of Counsel from independent tax counsel stating that, for federal income tax purposes, such consolidation, conversion, merger, division or succession and such agreement of assumption will not result in a material federal income tax consequence to the Issuer or the Holders of System Restoration Bonds and (v) the Seller shall have given the Rating Agencies prior written notice of such transaction (with prior written notice to the Servicer in order to enable compliance with Section 8.14 of the Servicing Agreement). When any Person (or more than one Person) acquires the properties and assets of the Seller substantially as a whole or otherwise becomes the successor, whether by merger, conversion, consolidation, sale, transfer, lease, management contract or otherwise, to all or substantially all of the electric transmission and distribution business of the Seller (or, if transmission and distribution are not provided by a single entity, provides wire service directly to customers taking service at facilities, premises or loads located in the Texas AEP Central Division as of the date of the Financing Order) in accordance with the terms of this Section 5.02, then upon satisfaction of all of the other conditions of this Section 5.02, the preceding Seller shall automatically and without further notice be released from all of its obligations hereunder.

SECTION 5.03. Limitation on Liability of Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder. Subject to Section 4.07, the Seller shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability.

ARTICLE VI
MISCELLANEOUS PROVISIONS

SECTION 6.01. Amendment. This Agreement may be amended in writing by the Seller and the Issuer with ten Business Days' prior written notice given to the Rating Agencies and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 6.02, but without the consent of any of the Holders, (i) to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the Holders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Issuer and the Indenture Trustee, adversely affect in any material respect the interests of any Holder or (ii) to conform the provisions hereof to the description of this Agreement in the Prospectus.

In addition, this Agreement may be amended in writing by the Seller and the Issuer with (i) the prior written consent of the Indenture Trustee, (ii) the satisfaction of the Rating Agency Condition, (iii) the satisfaction of the condition set forth below in Section 6.02, (iv) if such amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 6.02 and (v) if any amendment would adversely affect in any material respect the interest of any Holder of the System Restoration Bonds, the consent of a majority of the Holders of each affected Tranche of System Restoration Bonds. In determining whether a majority of Holders have consented, System Restoration Bonds owned by the Issuer, Seller or any Affiliate of the Issuer or Seller shall be disregarded, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such consent, the Indenture Trustee shall only be required to disregard any System Restoration Bonds it actually knows to be so owned. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

It shall not be necessary for the consent of Holders pursuant to this Section to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel from external counsel of the Seller stating that the execution of such amendment is authorized or permitted by this Agreement and that all conditions precedent have been satisfied and the Opinion of Counsel referred to in Section 3.01(c)(i) of the Servicing Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the Indenture Trustee's own rights, duties or immunities under this Agreement or otherwise.

SECTION 6.02. PUCT Condition. Notwithstanding anything to the contrary in Section 6.01, no amendment or modification of this Agreement shall be effective unless the process set forth in this Section 6.02 has been followed.

(a) At least thirty-one (31) days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 6.01, (except that the consent of the Indenture Trustee may be subject to the consent of the Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification), the Seller shall have delivered to the PUCT's executive director and general counsel written notification of any proposed amendment or modification, which notification shall contain:

(i) a reference to Docket No. 49308;

(ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement;

(iii) a statement identifying the person to whom the PUCT or its staff is to address any response to the proposed amendment or modification or to request additional time; and

(iv) a statement as to the possible effect of the amendment or modification on the ongoing Qualified Costs.

(b) The PUCT or its staff shall, within thirty (30) days of receiving the notification complying with Section 6.02(a) above, either:

(i) provide notice of its determination that the proposed amendment or modification will not under any circumstances have the effect of increasing the ongoing Qualified Costs related to the System Restoration Bonds,

(ii) provide notice of its consent or lack of consent to the person specified in Section 6.02(a)(iii) above, or

(iii) be conclusively deemed to have consented to the proposed amendment or modification,

unless, within thirty (30) days of receiving the notification complying with Section 6.02(a) above, the PUCT or its staff delivers to the office of the person specified in Section 6.02(a)(iii) above 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 or modification. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent or notice of its determination that the proposed amendment or modification will not under any circumstances increase ongoing Qualified Costs to the person specified in Section 6.02(a)(iii) no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment or modification on the last day of such extension of time. Any amendment or modification requiring the consent of the PUCT shall become effective on the later of (i) the date proposed by the parties to such amendment or modification and (ii) the first day after the expiration of the thirty (30)-day period provided for in this Section 6.02(b), or, if such period has been extended pursuant hereto, the first day after the expiration of such period as so extended.

(c) Following the delivery of a notice to the PUCT by the Seller under Section 6.02(a), the Seller and the Issuer shall have the right at any time to withdraw from the PUCT further consideration of any notification of a proposed amendment or modification. Such withdrawal shall be evidenced by the prompt written notice thereof by the Seller to the PUCT, the Indenture Trustee, the Issuer and the Servicer.

SECTION 6.03. Notices. All demands, notices and communications upon or to the Seller, the Issuer, the Indenture Trustee, the PUCT or the Rating Agencies under this Agreement shall be sufficiently given for all purposes hereunder if in writing, and delivered personally, sent by documented delivery service or, to the extent receipt is confirmed telephonically, sent by telecopy or other form of electronic transmission:

(a) in the case of the Seller, to AEP Texas Inc., at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer, Telephone: (614) 716-1000, Facsimile: (614) 716-2807;

(b) in the case of the Issuer, to AEP Texas Restoration Funding LLC at 539 N. Carancahua Street, Suite 1700, Corpus Christi, Texas 78401, Attention: Manager, Telephone: (361) 881-5399, Facsimile: (361) 880-6128;

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) in the case of the PUCT, to 1701 N. Congress Avenue, Austin, Texas 78701, Attention: Executive Director and General Counsel, Telephone: (512) 936-7040, Facsimile: (512) 936-7036;

(e) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Email: ServicerReports@moodys.com (all such notices to be delivered to Moody's in writing by email), and solely for purposes of Rating Agency Condition communications: abscormonitoring@moodys.com;

(f) in the case of Standard & Poor's, to Standard & Poor's Ratings Group, Inc., Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@spglobal.com (all such notices to be delivered to Standard & Poor's in writing by email); or

(h) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 6.04. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Agreement may not be assigned by the Seller.

SECTION 6.05. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Seller, the Issuer, the Indenture Trustee (for the benefit of the Secured Parties) and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Transition Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

SECTION 6.06. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 6.07. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 6.08. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 6.09. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6.10. Assignment to Indenture Trustee. The Seller hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee pursuant to the Indenture for the benefit of the Secured Parties of all right, title and interest of the Issuer in, to and under this Agreement, the Transition Property and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Secured Parties. For the avoidance of doubt, the Indenture Trustee is a third-party beneficiary of this Agreement and is entitled to the rights and benefits hereunder and may enforce the provisions hereof as if it were a party hereto.

SECTION 6.11. Limitation of Liability. It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee on behalf of the Secured Parties, in the exercise of the powers and authority conferred and vested in it. The Indenture Trustee in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

SECTION 6.12. Waivers. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof; provided, however, that no such waiver delivered by the Issuer shall be effective unless the Indenture Trustee has given its prior written consent thereto. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any party, it is authorized in writing by an authorized representative of such party. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

AEP TEXAS RESTORATION FUNDING LLC, as Issuer

By: _____
Name:
Title:

AEP TEXAS INC., as Seller

By: _____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Indenture Trustee

By: _____
Name:
Title:

EXHIBIT A

FORM OF BILL OF SALE

This Bill of Sale is being delivered pursuant to the Transition Property Purchase and Sale Agreement, dated as of September 18, 2019 (the "Sale Agreement"), by and between AEP Texas Inc. (the "Seller") and AEP Texas Restoration Funding LLC (the "Issuer"). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Sale Agreement.

In consideration of the Issuer's delivery to or upon the order of the Seller of $231,184,014, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse or warranty, except as set forth in the Sale Agreement, all right, title and interest of the Seller in and to the Transition Property identified on Schedule 1 hereto (such sale, transfer, assignment, setting over and conveyance of the Transition Property includes, to the fullest extent permitted by the Securitization Law, the right to impose, collect and receive System Restoration Charges and the assignment of all revenues, collections, claims, rights, payments, money or proceeds of or arising from the System Restoration Charges related to the Transition Property, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale and, pursuant to Section 39.308 (as incorporated through Section 36.403(a)) of the Securitization Law and other applicable law, shall be 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 Transition Property. The Seller and the Issuer agree that after giving effect to the sale, transfer, assignment, setting over and conveyance contemplated hereby the Seller has no right, title or interest in or to the Transition Property to which a security interest could attach because (i) it has sold, transferred, assigned, set over and conveyed all right, title and interest in and to the Transition Property to the Issuer, (ii) as provided in Section 39.304 (as incorporated through Section 36.403(a)) of the Securitization Law, such rights are only contract rights until the time of such sale, transfer, assignment, setting over and conveyance and (iii) as provided in Section 39.309(c) (as incorporated through Section 36.403(a)) of the Securitization Law, appropriate notice has been filed and such transfer is perfected against all third parties, including subsequent judicial or other lien creditors. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 39.308 (as incorporated through Section 36.403(a)) of the Securitization Law, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Transition Property and as the creation of a security interest (within the meaning of the Securitization Law and the UCC) in the Transition Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Transition Property to the Issuer, the Seller hereby grants a security interest in the Transition Property to the Issuer (and, to the extent necessary to qualify the grant as a security interest under the Securitization Law and the UCC, to the Indenture Trustee for the benefit of the Secured Parties to secure the right of the Issuer under the Basic Documents to receive the System Restoration Charges and all other Transition Property).

The Issuer does hereby purchase the Transition Property from the Seller for the consideration set forth in the preceding paragraph.

The Seller and the Issuer each acknowledge and agree that the purchase price for the Transition Property sold pursuant to this Bill of Sale and the Sale Agreement is equal to its fair market value at the time of sale.

The Seller confirms that (i) each of the representations and warranties on the part of the Seller contained in the Sale Agreement are true and correct in all respects on the date hereof as if made on the date hereof and (ii) each condition precedent that must be satisfied under Section 2.02 of the Sale Agreement has been satisfied upon or prior to the execution and delivery of this Bill of Sale by the Seller.

This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS BILL OF SALE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAW.

IN WITNESS WHEREOF, the Seller and the Issuer have duly executed this Bill of Sale as of the ___ day of _____, _____.

AEP TEXAS RESTORATION FUNDING LLC

By: _____
Name:
Title:

AEP TEXAS INC.

By: _____
Name:
Title:

SCHEDULE 1
to
BILL OF SALE

TRANSITION PROPERTY

EXHIBIT A
4

Exhibit 10.3

ADMINISTRATION AGREEMENT

This ADMINISTRATION AGREEMENT, dated as of September 18, 2019 (this "Administration Agreement"), is entered into by and between AEP TEXAS INC. ("AEP Texas"), as administrator (in such capacity, the "Administrator"), and AEP TEXAS RESTORATION FUNDING LLC, a Delaware limited liability company (the "Issuer"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture (as defined below).

W I T N E S S E T H:

WHEREAS, the Issuer is issuing System Restoration Bonds pursuant to that certain Indenture (including Appendix A thereto) dated as of the date hereof (the "Indenture"), by and between the Issuer and U.S. Bank National Association, a national banking association, in its capacity as indenture trustee (the "Indenture Trustee") and in its separate capacity as a securities intermediary (the "Securities Intermediary"), as the same may be amended, restated, supplemented or otherwise modified from time to time, and the Series Supplement;

WHEREAS, the Issuer has entered into certain agreements in connection with the issuance of the System Restoration Bonds, including (i) the Indenture, (ii) the Transition Property Servicing Agreement, dated as of September 18, 2019 (the "Servicing Agreement"), by and between the Issuer and AEP Texas, as Servicer, (iii) the Transition Property Purchase and Sale Agreement, dated as of September 18, 2019 (the "Sale Agreement"), by and between the Issuer and AEP Texas, as Seller and (iv) the other Basic Documents to which the Issuer is a party, relating to the System Restoration Bonds (the Indenture, the Servicing Agreement, the Sale Agreement and the other Basic Documents to which the Issuer is a party, as such agreements may be amended and supplemented from time to time, being referred to hereinafter collectively as the "Related Agreements");

WHEREAS, pursuant to the Related Agreements, the Issuer is required to perform certain duties in connection with the Related Agreements, the System Restoration Bonds and the System Restoration Bond Collateral pledged to the Indenture Trustee pursuant to the Indenture;

WHEREAS, the Issuer has no employees, other than its officers and managers, and does not intend to hire any employees, and consequently desires to have the Administrator perform certain of the duties of the Issuer referred to in the preceding clauses and to provide such additional services consistent with the terms of this Administration Agreement and the Related Agreements as the Issuer may from time to time request; and

WHEREAS, the Administrator has the capacity to provide the services and the facilities required thereby and is willing to perform such services and provide such facilities for the Issuer on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Duties of the Administrator – Management Services. The Administrator hereby agrees to provide the following corporate management services to the Issuer and to cause third parties to provide professional services required for or contemplated by such services in accordance with the provisions of this Administration Agreement:

(a) furnish the Issuer with ordinary clerical, bookkeeping and other corporate administrative services necessary and appropriate for the Issuer, including, without limitation, the following services:

(i) maintain at the Premises (as defined below) general accounting records of the Issuer (the "Account Records"), subject to year-end audit, in accordance with generally accepted accounting principles, separate and apart from its own accounting records, prepare or cause to be prepared such quarterly and annual financial statements as may be necessary or appropriate and arrange for year-end audits of the Issuer's financial statements by the Issuer's independent accountants;

(ii) prepare and, after execution by the Issuer, file with the Securities and Exchange Commission (the "Commission") and any applicable state agencies documents required to be filed by the Issuer with the Commission and any applicable state agencies, including, without limitation, periodic reports required to be filed under the Securities Exchange Act of 1934, as amended;

(iii) prepare for execution by the Issuer and cause to be filed such income, franchise or other tax returns of the Issuer as shall be required to be filed by applicable law (the "Tax Returns") and cause to be paid on behalf of the Issuer from the Issuer's funds any taxes required to be paid by the Issuer under applicable law;

(iv) prepare or cause to be prepared for execution by the Issuer's Managers minutes of the meetings of the Issuer's Managers and such other documents deemed appropriate by the Issuer to maintain the separate limited liability company existence and good standing of the Issuer (the "Company Minutes") or otherwise required under the Related Agreements (together with the Account Records, the Tax Returns, the Company Minutes, the LLC Agreement, and the Certificate of Formation, the "Issuer Documents"); and any other documents deliverable by the Issuer thereunder or in connection therewith; and

(v) hold, maintain and preserve at the Premises (or such other place as shall be required by any of the Related Agreements) executed copies (to the extent applicable) of the Issuer Documents and other documents executed by the Issuer thereunder or in connection therewith;

(b) take such actions on behalf of the Issuer, as are necessary or desirable for the Issuer to keep in full effect its existence, rights and franchises as a limited liability company under the laws of the state of Delaware and obtain and preserve its qualification to do business in each jurisdiction in which it becomes necessary to be so qualified;

(c) take such actions on the behalf of the Issuer as are necessary for the issuance and delivery of the System Restoration Bonds;

(d) provide for the performance by the Issuer of its obligations under each of the Related Agreements, and prepare, or cause to be prepared, all documents, reports, filings, instruments, notices, certificates and opinions that it shall be the duty of the Issuer to prepare, file or deliver pursuant to the Related Agreements;

(e) to the full extent allowable under applicable law, enforce each of the rights of the Issuer under the Related Agreements, at the direction of the Indenture Trustee;

(f) provide for the defense, at the direction of the Issuer's Managers, of any action, suit or proceeding brought against the Issuer or affecting the Issuer or any of its assets;

(g) provide office space (the "Premises") for the Issuer and such reasonable ancillary services as are necessary to carry out the obligations of the Administrator hereunder, including telecopying, duplicating and word processing services;

(h) undertake such other administrative services as may be appropriate, necessary or requested by the Issuer; and

(i) provide such other services as are incidental to the foregoing or as the Issuer and the Administrator may agree.

In providing the services under this Section 1 and as otherwise provided under this Administration Agreement, the Administrator will not knowingly take any actions on behalf of the Issuer which (i) the Issuer is prohibited from taking under the Related Agreements, or (ii) would cause the Issuer to be in violation of any federal, state or local law or the LLC Agreement.

In performing its duties hereunder, the Administrator shall use the same degree of care and diligence that the Administrator exercises with respect to performing such duties for its own account and, if applicable, for others.

2. Compensation. As compensation for the performance of the Administrator's obligations under this Administration Agreement (including the compensation of Persons serving as Manager(s), other than the Independent Manager(s), and officers of the Issuer, but, for the avoidance of doubt, excluding the performance by AEP Texas of its obligations in its capacity as Servicer), the Administrator shall be entitled to $100,000 annually (the "Administration Fee"), payable by the Issuer in installments of $50,000 on each Payment Date. In addition, the Administrator shall be entitled to be reimbursed by the Issuer for all costs and expenses of services performed by unaffiliated third parties and actually incurred by the Administrator in connection with the performance of its obligations under this Administration Agreement in accordance with Section 3 (but, for the avoidance of doubt, excluding any such costs and expenses incurred by AEP Texas in its capacity as Servicer), to the extent that such costs and expenses are supported by invoices or other customary documentation and are reasonably allocated to the Issuer ("Reimbursable Expenses").

3. Third Party Services. Any services required for or contemplated by the performance of the above-referenced services by the Administrator to be provided by unaffiliated third parties (including independent auditors' fees and counsel fees) may, if provided for or otherwise contemplated by the Financing Order and if the Issuer deems it necessary or desirable, be arranged by the Issuer or by the Administrator at the direction (which may be general or specific) of the Issuer. Costs and expenses associated with the contracting for such third-party professional services may be paid directly by the Issuer or paid by the Administrator and reimbursed by the Issuer in accordance with Section 2, or otherwise as the Administrator and the Issuer may mutually arrange.

4. Additional Information to be Furnished to the Issuer. The Administrator shall furnish to the Issuer from time to time such additional information regarding the System Restoration Bond Collateral as the Issuer shall reasonably request.

5. Independence of the Administrator. For all purposes of this Administration Agreement, the Administrator shall be an independent contractor and shall not be subject to the supervision of the Issuer with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by the Issuer, the Administrator shall have no authority, and shall not hold itself out as having the authority, to act for or represent the Issuer in any way and shall not otherwise be deemed an agent of the Issuer.

6. No Joint Venture. Nothing contained in this Administration Agreement (a) shall constitute the Administrator and the Issuer as partners or co-members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity, (b) shall be construed to impose any liability as such on either of them or (c) shall be deemed to confer on either of them any express, implied or apparent authority to incur any obligation or liability on behalf of the other.

7. Other Activities of Administrator. Nothing herein shall prevent the Administrator or any of its members, managers, officers, employees, subsidiaries or affiliates from engaging in other businesses or, in its sole discretion, from acting in a similar capacity as an Administrator for any other person or entity even though such person or entity may engage in business activities similar to those of the Issuer.

8. Term of Agreement; Resignation and Removal of Administrator.

(a) This Administration Agreement shall continue in force until the payment in full of the System Restoration Bonds and any other amount which may become due and payable under the Indenture, upon which event this Administration Agreement shall automatically terminate.

(b) Subject to Sections 8(e) and 8(f), the Administrator may resign its duties hereunder by providing the Issuer with at least sixty (60) days' prior written notice.

(c) Subject to Sections 8(e) and 8(f), the Issuer may remove the Administrator without cause by providing the Administrator with at least sixty (60) days' prior written notice.

(d) Subject to Sections 8(e) and 8(f), at the sole option of the Issuer, the Administrator may be removed immediately upon written notice of termination from the Issuer to the Administrator if any of the following events shall occur:

(i) the Administrator shall default in the performance of any of its duties under this Administration Agreement and, after notice of such default, shall fail to cure such default within ten (10) days (or, if such default cannot be cured in such time, shall (A) fail to give within ten (10) days such assurance of cure as shall be reasonably satisfactory to the Issuer and (B) fail to cure such default within thirty (30) days thereafter);

(ii) a court of competent jurisdiction shall enter a decree or order for relief, and such decree or order shall not have been vacated within sixty (60) days, in respect of the Administrator in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such court shall appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Administrator or any substantial part of its property or order the winding-up or liquidation of its affairs; or

(iii) the Administrator shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, shall consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Administrator or any substantial part of its property, shall consent to the taking of possession by any such official of any substantial part of its property, shall make any general assignment for the benefit of creditors or shall fail generally to pay its debts as they become due.

The Administrator agrees that if any of the events specified in clauses (ii) or (iii) of this Section 8(d) shall occur, it shall give written notice thereof to the Issuer and the Indenture Trustee as soon as practicable but in any event within seven (7) days after the happening of such event.

(e) No resignation or removal of the Administrator pursuant to this Section 8 shall be effective until a successor Administrator has been appointed by the Issuer, and such successor Administrator has agreed in writing to be bound by the terms of this Administration Agreement in the same manner as the Administrator is bound hereunder.

(f) The appointment of any successor Administrator shall be effective only after satisfaction of the Rating Agency Condition with respect to the proposed appointment.

9. Action upon Termination, Resignation or Removal. Promptly upon the effective date of termination of this Administration Agreement pursuant to Section 8(a), the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or 8(d), the Administrator shall be entitled to be paid a pro-rated portion of the annual fee described in Section 2 hereof through the date of termination and all Reimbursable Expenses incurred by it through the date of such termination, resignation or removal. The Administrator shall forthwith upon such termination pursuant to Section 8(a) deliver to the Issuer all property and documents of or relating to the System Restoration Bond Collateral then in the custody of the Administrator. In the event of the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or 8(d), the Administrator shall cooperate with the Issuer and take all reasonable steps requested to assist the Issuer in making an orderly transfer of the duties of the Administrator.

10. Administrator's Liability. Except as otherwise provided herein, the Administrator assumes no liability other than to render or stand ready to render the services called for herein, and neither the Administrator nor any of its members, managers, officers, employees, subsidiaries or affiliates shall be responsible for any action of the Issuer or any of the members, managers, officers, employees, subsidiaries or affiliates of the Issuer (other than the Administrator itself). The Administrator shall not be liable for nor shall it have any obligation with regard to any of the liabilities, whether direct or indirect, absolute or contingent of the Issuer or any of the members, managers, officers, employees, subsidiaries or affiliates of the Issuer (other than the Administrator itself).

11. INDEMNITY.

(a) SUBJECT TO THE PRIORITY OF PAYMENTS SET FORTH IN THE INDENTURE, THE ISSUER SHALL INDEMNIFY THE ADMINISTRATOR, ITS MEMBERS, MANAGERS, OFFICERS, EMPLOYEES AND AFFILIATES AGAINST ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR WHETHER OR NOT THE ADMINISTRATOR IS A PARTY THERETO) WHICH ANY OF THEM MAY PAY OR INCUR ARISING OUT OF OR RELATING TO THIS ADMINISTRATION AGREEMENT AND THE SERVICES CALLED FOR HEREIN; PROVIDED, HOWEVER, THAT SUCH INDEMNITY SHALL NOT APPLY TO ANY SUCH LOSS, CLAIM, DAMAGE, PENALTY, JUDGMENT, LIABILITY OR EXPENSE RESULTING FROM THE ADMINISTRATOR'S NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER.

(b) THE ADMINISTRATOR SHALL INDEMNIFY THE ISSUER, ITS MEMBERS, MANAGERS, OFFICERS AND EMPLOYEES AGAINST ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR WHETHER OR NOT THE ISSUER IS A PARTY THERETO) WHICH ANY OF THEM MAY INCUR AS A RESULT OF THE ADMINISTRATOR'S NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER.

12. Notices. Any notice, report or other communication given hereunder shall be in writing and addressed as follows:

(a) if to the Issuer, to:

AEP Texas Restoration Funding LLC
539 N. Carancahua Street, Suite 1700
Corpus Christi, Texas 78401
Attention: Manager
Telephone: (361) 881-5399
Facsimile: (361) 880-6128

(b) if to the Administrator, to:

AEP Texas Inc.
1 Riverside Plaza
Columbus, Ohio 43215
Attention: Treasurer
Telephone: (614) 716-1000
Facsimile: (614) 716-2807

(c) if to the Indenture Trustee, to the Corporate Trust Office;

or to such other address as any party shall have provided to the other parties in writing. Any notice required to be in writing hereunder shall be deemed given if such notice is mailed by certified mail, postage prepaid, or hand-delivered to the address of such party as provided above.

13. Amendments. This Administration Agreement may be amended from time to time by a written amendment duly executed and delivered by each of the Issuer and the Administrator with ten Business Days' prior written notice given to the Rating Agencies and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 14, but without the consent of any of the Holders, (i) to cure any ambiguity, to correct or supplement any provisions in this Administration Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Administration Agreement or of modifying in any manner the rights of the Holders; provided, however, that the Issuer and the Indenture Trustee shall receive an Officer's Certificate stating that the execution of such amendment shall not adversely affect in any material respect the interests of any Holder and that all conditions precedent have been satisfied or (ii) to conform the provisions hereof to the description of this Administration Agreement in the Prospectus.

In addition, this Administration Agreement may be amended from time to time by a written amendment duly executed and delivered by each of the Issuer and the Administrator with the prior written consent of the Indenture Trustee, the satisfaction of the Rating Agency Condition and, if the contemplated amendment may in the judgment of the PUCT increase ongoing Qualified Costs, the consent of the PUCT pursuant to Section 14; provided that any such amendment may not adversely affect the interest of any Holder in any material respect without the consent of the Holders of a majority of the outstanding principal amount of the System Restoration Bonds. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

14. PUCT Condition. Notwithstanding anything to the contrary in Section 13, no amendment or modification of this Agreement shall be effective unless the process set forth in this Section 14 has been followed.

(a) At least thirty-one (31) days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 13 above (except that the consent of the Indenture Trustee may be subject to the consent of Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification), the Administrator shall have delivered to the PUCT's executive director and general counsel written notification of any proposed amendment or modification, which notification shall contain:

(i) a reference to Docket No. 49308;

(ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Administration Agreement;

(iii) a statement identifying the person to whom the PUCT or its staff is to address any response to the proposed amendment or modification or to request additional time; and

(iv) a statement as to the possible effect of the amendment or modification on the ongoing qualified costs.

(b) The PUCT or its staff shall, within thirty (30) days of receiving the notification complying with Section 14(a) above, either:

(i) provide notice of its determination that the proposed amendment or modification will not under any circumstances have the effect of increasing the ongoing qualified costs related to the System Restoration Bonds,

(ii) provide notice of its consent or lack of consent to the person specified in Section 14(a)(iii) above, or

(iii) be conclusively deemed to have consented to the proposed amendment or modification,

unless, within thirty (30) days of receiving the notification complying with Section 14(a) above, the PUCT or its staff delivers to the office of the person specified in Section 14(a)(iii) above 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 or modification. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent or notice of its determination that the proposed amendment or modification will not under any circumstances increase ongoing qualified costs to the person specified in Section 14(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment or modification on the last day of such extension of time. Any amendment or modification requiring the consent of the PUCT shall become effective on the later of (i) the date proposed by the parties to such amendment or modification and (ii) the first day after the expiration of the thirty (30)-day period provided for in this Section 14(b), or, if such period has been extended pursuant hereto, the first day after the expiration of such period as so extended.

(c) Following the delivery of a notice to the PUCT by the Administrator under Section 14(a) above, the Administrator shall have the right at any time to withdraw from the PUCT further consideration of any notification of a proposed amendment or modification. Such withdrawal shall be evidenced by the prompt written notice thereof by the Administrator to the PUCT, the Indenture Trustee, the Issuer and the Servicer.

15. Successors and Assigns. This Administration Agreement may not be assigned by the Administrator unless such assignment is previously consented to in writing by the Issuer and the Indenture Trustee and subject to the satisfaction of the Rating Agency Condition in connection therewith. Any assignment with such consent and satisfaction, if accepted by the assignee, shall bind the assignee hereunder in the same manner as the Administrator is bound hereunder. Notwithstanding the foregoing, this Administration Agreement may be assigned by the Administrator without the consent of the Issuer or the Indenture Trustee and without satisfaction of the Rating Agency Condition to a corporation or other organization that is a successor (by merger, reorganization, consolidation or purchase of assets) to the Administrator, including without limitation any Permitted Successor; provided that such successor or organization executes and delivers to the Issuer an Agreement in which such corporation or other organization agrees to be bound hereunder by the terms of said assignment in the same manner as the Administrator is bound hereunder. Subject to the foregoing, this Administration Agreement shall bind any successors or assigns of the parties hereto. Upon satisfaction of all of the conditions of this Section 15, the preceding Administrator shall automatically and without further notice be released from all of its obligations hereunder.

16. Governing Law. This Administration Agreement shall be construed in accordance with the laws of the State of Texas, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

17. Headings. The Section headings hereof have been inserted for convenience of reference only and shall not be construed to affect the meaning, construction or effect of this Administration Agreement.

18. Counterparts. This Administration Agreement may be executed in counterparts, each of which when so executed shall be an original, but all of which together shall constitute but one and the same Administration Agreement.

19. Severability. Any provision of this Administration Agreement that is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

20. Nonpetition Covenant. Notwithstanding any prior termination of this Administration Agreement, the Administrator covenants that it shall not, prior to the date which is one year and one day after payment in full of the System Restoration Bonds, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer.

21. Assignment to Indenture Trustee. The Administrator hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Secured Parties pursuant to the Indenture of any or all of the Issuer's rights hereunder and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Secured Parties. For the avoidance of doubt, the Indenture Trustee is a third-party beneficiary of this Agreement and is entitled to the rights and benefits hereunder and may enforce the provisions hereof as if it were a party hereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Administration Agreement to be duly executed and delivered as of the day and year first above written.

AEP TEXAS RESTORATION FUNDING LLC, as Issuer

By: _____
Name:
Title:

AEP TEXAS INC., as Administrator

By: _____
Name:
Title:

EXHIBIT 10.4

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT (this "Agreement") dated as of September 18, 2019 by and among:

AEP Texas Inc. (in its individual capacity, the "Company");

AEP Texas Central Transition Funding II LLC, a Delaware limited liability company (the "First Additional Transition Bond Issuer");

The Bank of New York Mellon, a New York banking corporation, in its capacity as indenture trustee (including any successor in such capacity, the "First Additional Transition Bond Trustee" and, together with the First Additional Transition Bond Issuer, the "First Additional Secured Parties") under the First Additional Indenture referred to below;

AEP Texas Inc. (successor to AEP Texas Central Company), in its capacity as the initial servicer of the First Additional Transition Property referred to below (including any successor in such capacity, the "First Additional TC Servicer" and, together with the First Additional Transition Bond Issuer and the First Additional Transition Bond Trustee, the "First Additional Parties");

AEP Texas Central Transition Funding III LLC, a Delaware limited liability company (the "Second Additional Transition Bond Issuer");

U.S. Bank National Association, a national banking association, in its capacity as indenture trustee (including any successor in such capacity, the "Second Additional Transition Bond Trustee" and, together with the Second Additional Transition Bond Issuer, the "Second Additional Secured Parties") under the Second Additional Indenture referred to below;

AEP Texas Inc. (successor to AEP Texas Central Company), in its capacity as the initial servicer of the Second Additional Transition Property referred to below (including any successor in such capacity, the "Second Additional TC Servicer" and, together with the Second Additional Transition Bond Issuer and the Second Additional Transition Bond Trustee, the "Second Additional Parties");

AEP Texas Restoration Funding LLC, a Delaware limited liability company (the "System Restoration Bond Issuer");

U.S. Bank National Association, a national banking association, in its capacity as indenture trustee (including any successor in such capacity, the "System Restoration Bond Trustee" and, together with the System Restoration Bond Issuer, the "System Restoration Secured Parties") under the System Restoration Indenture referred to below;

AEP Texas Inc., in its capacity as the initial servicer of the System Restoration Transition Property referred to below (including any successor in such capacity, the "System Restoration Servicer" and, together with the System Restoration Bond Issuer and the System Restoration Bond Trustee, the "System Restoration Parties"); and

The Company, in its capacity as collection agent for the benefit of the First Additional TC Servicer, the Second Additional TC Servicer and the System Restoration Servicer.

WHEREAS, pursuant to the terms of the Transition Property Purchase and Sale Agreement dated as of October 11, 2006, between the First Additional Transition Bond Issuer and AEP Texas Central Company, in its capacity as seller (as it may hereafter from time to time be amended, restated or modified, the "First Additional Sale Agreement"), AEP Texas Central Company has sold to the First Additional Transition Bond Issuer certain assets known as "Transition Property" which includes the "Transition Charges" (hereinafter, the "First Additional Transition Property" and the "First Additional Transition Charges");

WHEREAS, pursuant to the terms of the Indenture dated as of October 11, 2006, among the First Additional Transition Bond Issuer and the First Additional Transition Bond Trustee, in its capacity as indenture trustee and in its separate capacity as a securities intermediary (as it may hereafter from time to time be amended, restated or modified and as supplemented from time to time by one or more Series Supplements, such Series Supplements and Indenture being collectively referred to herein as the "First Additional Indenture"), the First Additional Transition Bond Issuer, among other things, has granted to the First Additional Transition Bond Trustee a security interest in certain of its assets, including the First Additional Transition Property, to secure, among other things, the transition bonds issued pursuant to the First Additional Indenture ("First Additional Transition Bonds");

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of October 11, 2006, between the First Additional Transition Bond Issuer and the First Additional TC Servicer (as it may hereafter from time to time be amended, restated or modified, the "First Additional Servicing Agreement"), the First Additional TC Servicer has agreed to provide for the benefit of the First Additional Transition Bond Issuer servicing functions with respect to the First Additional Transition Charges;

WHEREAS, pursuant to the terms of the Transition Property Purchase and Sale Agreement dated as of March 14, 2012, between the Second Additional Transition Bond Issuer and AEP Texas Central Company, in its capacity as seller (as it may hereafter from time to time be amended, restated or modified, the "Second Additional Sale Agreement"), AEP Texas Central Company has sold to the Second Additional Transition Bond Issuer certain assets known as "Transition Property" which includes the "Transition Charges" (hereinafter, the "Second Additional Transition Property" and the "Second Additional Transition Charges");

WHEREAS, pursuant to the terms of the Indenture dated as of March 14, 2012, among the Second Additional Transition Bond Issuer and the Second Additional Transition Bond Trustee, in its capacity as indenture trustee and in its separate capacity as a securities intermediary (as it may hereafter from time to time be amended, restated or modified and as supplemented by a Series Supplement, such Series Supplement and Indenture being collectively referred to herein as the "Second Additional Indenture"), the Second Additional Transition Bond Issuer, among other things, has granted to the Second Additional Transition Bond Trustee a security interest in certain of its assets, including the Second Additional Transition Property, to secure, among other things, the transition bonds issued pursuant to the Second Additional Indenture ("Second Additional Transition Bonds");

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of March 14, 2012, between the Second Additional Transition Bond Issuer and the Second Additional TC Servicer (as it may hereafter from time to time be amended, restated or modified, the "Second Additional Servicing Agreement"), the Second Additional TC Servicer has agreed to provide for the benefit of the Second Additional Transition Bond Issuer servicing functions with respect to the Second Additional Transition Charges;

WHEREAS, pursuant to the terms of the Transition Property Purchase and Sale Agreement dated as of September 18, 2019, between the System Restoration Bond Issuer and the Company, in its capacity as seller (as it may hereafter from time to time be amended, restated or modified, the "System Restoration Sale Agreement"), the Company has sold to the System Restoration Bond Issuer certain assets known as "Transition Property" which includes the "System Restoration Charges" (hereinafter, the "System Restoration Transition Property" and the "System Restoration Charges");

WHEREAS, pursuant to the terms of the Indenture dated as of September 18, 2019, among the System Restoration Bond Issuer and the System Restoration Bond Trustee, in its capacity as indenture trustee and in its separate capacity as a securities intermediary (as it may hereafter from time to time be amended, restated or modified and as supplemented by a Series Supplement, such Series Supplement and Indenture being collectively referred to herein as the "System Restoration Indenture" and, together with the First Additional Indenture and the Second Additional Indenture, the "Indentures"), the System Restoration Bond Issuer, among other things, has granted to the System Restoration Bond Trustee a security interest in certain of its assets, including the System Restoration Transition Property, to secure, among other things, the system restoration bonds issued pursuant to the System Restoration Indenture ("System Restoration Bonds" and, together with the First Additional Transition Bonds and the Second Additional Transition Bonds, the "Transition Bonds");

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of September 18, 2019, between the System Restoration Bond Issuer and the System Restoration Servicer (as it may hereafter from time to time be amended, restated or modified, the "System Restoration Servicing Agreement" and, together with the First Additional Servicing Agreement and the Second Additional Servicing Agreement, the "Servicing Agreements"), the System Restoration Servicer has agreed to provide for the benefit of the System Restoration Bond Issuer servicing functions with respect to the System Restoration Charges;

WHEREAS, pursuant to the terms of the Amended and Restated Intercreditor Agreement dated as of March 14, 2012 (the "First Amended and Restated Intercreditor Agreement"), by and among AEP Texas Central Company, AEP Texas Central Transition Funding LLC (the "Initial Transition Bond Issuer"), U.S. Bank National Association, as initial transition bond trustee (the "Initial Transition Bond Trustee"), AEP Texas Central Company, as initial TC servicer (the "Initial TC Servicer" and, together with the Initial Transition Bond Issuer and the Initial Transition Bond Trustee, the "Initial Parties"), the First Additional Parties, the Second Additional Parties, and AEP Texas Central Company in its capacity as collection agent for the benefit of the Initial TC Servicer, the First Additional TC Servicer and the Second Additional TC Servicer (together, the "First Amended and Restated Intercreditor Parties"), the First Amended and Restated Intercreditor Parties agreed upon their respective rights relating to such collections and any bank accounts into which the same may be deposited, as well as other matters of common interest to them which arise under or result from the coexistence of the Initial Sale Agreement (as defined therein), the Initial Indenture (as defined therein), the Initial Servicing Agreement (as defined therein), the First Additional Sale Agreement, the First Additional Indenture, the First Additional Servicing Agreement, the Second Additional Sale Agreement, the Second Additional Indenture and the Second Additional Servicing Agreement;

WHEREAS, the transition bonds issued pursuant to the Indenture dated as of February 7, 2002 among the Initial Transition Bond Issuer and the Initial Transition Bond Trustee have been paid in full, and the First Amended and Restated Intercreditor Agreement has terminated as to the Initial Parties pursuant to Section 8 thereof; and

WHEREAS, the First Additional Parties, the Second Additional Parties, the System Restoration Parties and the Company in its capacity as collection agent for the benefit of the System Restoration Servicer now wish to amend and restate the First Amended and Restated Intercreditor Agreement in its entirety to agree upon their respective rights relating to such collections and any bank accounts into which the same may be deposited, as well as other matters of common interest to them which arise under or result from the coexistence of the First Additional Sale Agreement, the First Additional Indenture, the First Additional Servicing Agreement, the Second Additional Sale Agreement, the Second Additional Indenture, the Second Additional Servicing Agreement, the System Restoration Sale Agreement, the System Restoration Indenture and the System Restoration Servicing Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. Acknowledgment of Ownership Interests and Security Interests. The First Additional Parties, the Second Additional Parties and the System Restoration Parties hereby acknowledge as follows:

(a) the ownership interest of the System Restoration Bond Issuer in the System Restoration Transition Property, including the System Restoration Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the System Restoration Bond Trustee for the benefit of itself, the holders of the System Restoration Bonds and any credit enhancement provider (as defined in the System Restoration Indenture) in the System Restoration Transition Property;

(b) the ownership interest of the Second Additional Transition Bond Issuer in the Second Additional Transition Property, including the Second Additional Transition Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the Second Additional Transition Bond Trustee for the benefit of itself, the holders of the Second Additional Transition Bonds and any credit enhancement provider (as defined in the Second Additional Indenture) in the Second Additional Transition Property; and

(c) the ownership interest of the First Additional Transition Bond Issuer in the First Additional Transition Property, including the First Additional Transition Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the First Additional Transition Bond Trustee for the benefit of itself, the holders of the First Additional Transition Bonds and any credit enhancement provider (as defined in the First Additional Indenture) in the First Additional Transition Property.

SECTION 2. Deposit Accounts. The First Additional Parties, the Second Additional Parties and the System Restoration Parties each acknowledge that collections with respect to the First Additional Transition Property, the Second Additional Transition Property and the System Restoration Transition Property may from time to time be deposited into one or more designated accounts of the Company (the "Deposit Accounts"). Subject to Section 4, the Company in its capacity as collection agent agrees to:

(a) maintain the Deposit Accounts for the benefit of the First Additional Parties, the Second Additional Parties and the System Restoration Parties as their respective interests may appear;

(b) allocate and remit funds from the Deposit Accounts at the times specified in the respective Indentures and Servicing Agreements to the First Additional Transition Bond Trustee in the case of collections relating to the First Additional Transition Property, to the Second Additional Transition Bond Trustee in the case of collections relating to the Second Additional Transition Property and to the System Restoration Bond Trustee in the case of collections relating to the System Restoration Transition Property; provided that (i) to the extent the combined amounts of remittance by a retail electric provider are insufficient to satisfy amounts owed in respect of the First Additional Transition Charges, the Second Additional Transition Charges, the System Restoration Charges and the transmission and distribution charges (other than late payment penalties), such allocation and remittances shall be made on a pro rata basis among the First Additional Transition Charges, the Second Additional Transition Charges and the System Restoration Charges based on the amounts of such Transition Charges (other than late payment penalties) then due and owing; and (ii) in the event a late-payment penalty is received, allocations and remittances of such late payment penalties shall be made on a pro rata basis among the First Additional Transition Charges, the Second Additional Transition Charges and the System Restoration Charges based on the amounts of such Transition Charges in respect of which such penalties were owed; and

(c) maintain records as to the amounts deposited into the Deposit Accounts, the amounts remitted therefrom and the allocation as provided in subsection (b) above.

The First Additional Secured Parties, the Second Additional Secured Parties and the System Restoration Secured Parties shall each have the right to require an accounting from time to time of collections, allocations and remittances by the Company in its capacity as collection agent relating to the Deposit Accounts.

Each of the parties hereto acknowledges the respective security interests of the others in amounts on deposit in the Deposit Accounts to the extent of their respective interests as described in this Agreement and the other Basic Documents (as defined in the Indentures).

SECTION 3. Time or Order of Attachment. The acknowledgments contained in Sections 1 and 2 are applicable irrespective of the time or order of attachment or perfection of security or ownership interests or the time or order of filing or recording of financial statements or mortgages or filings under applicable law.

SECTION 4. Servicing.

(a) Pursuant to Section 2, the Company, in its role as First Additional TC Servicer, Second Additional TC Servicer and System Restoration Servicer, shall allocate and remit funds received from retail electric providers for the First Additional Transition Bonds, the Second Additional Transition Bonds and the System Restoration Bonds, respectively, and shall control the movement of such funds out of the Deposit Accounts (such allocation, remittance and deposits hereafter called the "Allocation Services"). The same entity must always act as servicer in the performance of the Allocation Services as to the First Additional Transition Bonds, the Second Additional Transition Bonds and the System Restoration Bonds.

(i) In the event that the First Additional Transition Bond Trustee, the Second Additional Transition Bond Trustee or the System Restoration Bond Trustee (each, so long as the related Transition Bonds are outstanding, a "Trustee" and each such Trustee collectively, the "Trustees") is entitled to and desires to exercise its right, pursuant to the applicable Servicing Agreement and Indenture, to replace the Company as First Additional TC Servicer, Second Additional TC Servicer or System Restoration Servicer, respectively, in its role as the provider of the Allocations Services in accordance with the applicable Servicing Agreements, the party desiring to exercise such right shall promptly give written notice to the others (the "Servicer Notice") in accordance with the notice provisions of this Agreement and consult with the others with respect to the Person who would replace the Company in such capacities. Any successor in such capacities shall be agreed to by all of the Trustees within ten (10) Business Days of the date of the Servicer Notice, and such successor shall be subject to satisfaction of the Rating Agency Condition (as defined below) and the provisions of the applicable Servicing Agreements. "Business Day" means any day other than a Saturday, Sunday, or any holiday for national banks or any New York banking corporation in Dallas, Texas, Columbus, Ohio, Chicago, Illinois or New York, New York. The Person named as replacement First Additional TC Servicer, Second Additional TC Servicer and System Restoration Servicer in accordance with this Section 4 is referred to herein as the "Replacement Servicer." The parties hereto agree that the Replacement Servicer for the First Additional TC Servicer, the Second Additional TC Servicer and the System Restoration Servicer shall be the same entity. In the event that the Trustees cannot agree on a Replacement Servicer, any Trustee may petition a court of competent jurisdiction for the appointment of a Replacement Servicer.

(ii) In the event that any Trustee is entitled to and desires to exercise its right, pursuant to the applicable Servicing Agreement and Indenture, to redirect collections relating to the First Additional Transition Property, the Second Additional Transition Property or the System Restoration Transition Property (as the case may be), any redirection of funds shall be either to (A) the Replacement Servicer or (B) if there is no Replacement Servicer, to the Designated Account with the Designated Account Holder chosen in accordance with the provisions set forth below, on or before the tenth Business Day occurring from and after the date of the Servicer Notice. The "Designated Account" shall be an "Eligible Account" (as defined in the Indentures) and shall be held for the benefit of the Trustees as their respective interests may appear. The "Designated Account Holder" shall be a financial institution selected by all of the Trustees, subject to satisfaction of the Rating Agency Condition, to hold and allocate amounts in the Designated Account for the benefit of the Trustees as their respective interests may appear as provided in subsection (b) of this Section 4. In the event that the Trustees are unable to agree upon a Designated Account Holder on or before the tenth Business Day occurring from and after the date of the Servicer Notice, a Designated Account Holder shall be promptly selected by the Trustee representing the holders of a majority (by amount) of the aggregate Transition Bonds outstanding, subject to the satisfaction of the Rating Agency Condition. None of the Trustees shall have any liability for such selection of the Designated Account Holder. The parties hereto agree that the Designated Account Holder for the Trustees shall be the same entity.

(b) Upon exercise by any Trustee of its rights to redirect collections relating to the First Additional Transition Property, the Second Additional Transition Property or the System Restoration Transition Property, respectively, and in the absence of a Replacement Servicer, the parties agree that all collections relating to the First Additional Transition Property, the Second Additional Transition Property and the System Restoration Transition Property shall be deposited into the Designated Account and that the Designated Account Holder shall be instructed by the Company to (i) allocate and remit funds from such Designated Account, in amounts calculated by the Company, with such calculations provided to the Designated Account Holder on a daily basis to the persons entitled thereto, being the First Additional Transition Bond Trustee in the case of all collections relating to the First Additional Transition Property, the Second Additional Transition Bond Trustee in the case of all collections relating to the Second Additional Transition Property, and the System Restoration Bond Trustee in the case of all collections relating to the System Restoration Transition Property (in each instance, other than in the case of late payment penalties, which shall be allocated and remitted as described in Section 2(b)); and (ii) maintain records as to the amounts deposited into such account, the amounts remitted therefrom and the allocation as provided in clause (i). The fees and expenses of the Designated Account Holder shall be payable from amounts deposited into the Designated Account on a pro rata basis as between collections relating to the First Additional Transition Property, the Second Additional Transition Property and the System Restoration Transition Property; provided, that that portion of those fees and expenses allocable to collections relating to the First Additional Transition Property, the Second Additional Transition Property and the System Restoration Transition Property shall be payable by the First Additional TC Servicer, the Second Additional TC Servicer and the System Restoration Servicer, respectively, from the servicer fees provided for in the First Additional Servicing Agreement, the Second Additional Servicing Agreement and the System Restoration Servicing Agreement, respectively. The First Additional Secured Parties, the Second Additional Secured Parties and the System Restoration Secured Parties shall each have the right to require an accounting from time to time of collections, allocations and remittances by the Designated Account Holder.

(c) Anything in this Agreement to the contrary notwithstanding, any action taken by any of the Trustees to appoint a Replacement Servicer or designate the Designated Account pursuant to this Section 4 shall be subject to the Rating Agency Condition and the consent, if required by law or any Financing Order (as defined in the Indentures), of the Public Utility Commission of Texas. For the purposes of this Agreement, the "Rating Agency Condition" means, with respect to any such action, satisfaction of the "Rating Agency Condition" as such term is defined in each Indenture under which any Transition Bonds remain outstanding at the time of such action. The parties hereto acknowledge and agree that the approval or the consent of the rating agencies which is required in order to satisfy the Rating Agency Condition is not subject to any standard of commercial reasonableness, and the parties are bound to satisfy this condition whether or not the rating agencies are unreasonable or arbitrary.

SECTION 5. Sharing of Information. The parties hereto agree to cooperate with each other and make available to each other or any Replacement Servicer any and all records and other data relevant to the First Additional Transition Property, the Second Additional Transition Property and the System Restoration Transition Property which it may have in its possession or may from time to time receive from the Company or any predecessor First Additional TC Servicer, the Second Additional TC Servicer or the System Restoration Servicer or any successor thereto, including, without limitation, any and all computer programs, data files, documents, instruments, files and records and any receptacles and cabinets containing the same. The Company hereby consents to the release of information regarding the Company pursuant to this Section 5.

SECTION 6. No Joint Venture. Nothing herein contained shall be deemed as effecting a joint venture among any of the First Additional Secured Parties, the Second Additional Secured Parties, the System Restoration Secured Parties and the Company.

SECTION 7. Method of Adjustment and Allocation. Each of the parties hereto acknowledges that: (i) the First Additional TC Servicer will adjust, calculate and allocate payments of First Additional Transition Charges in accordance with Section 4.01 of the First Additional Servicing Agreement and Section 6 of Annex 1 of the First Additional Servicing Agreement in the form attached thereto, (ii) the Second Additional TC Servicer will adjust, calculate and allocate payments of Second Additional Transition Charges in accordance with Section 4.01 of the Second Additional Servicing Agreement and Section 6 of Annex 1 of the Second Additional Servicing Agreement in the form attached thereto, and (iii) the System Restoration Servicer will adjust, calculate and allocate payments of System Restoration Charges in accordance with Section 4.01 of the System Restoration Servicing Agreement and Section 6 of Annex 1 of the System Restoration Servicing Agreement in the form attached thereto. Each of the parties hereto hereby acknowledges that (a) none of the First Additional Secured Parties shall be deemed or required under this Agreement to have any knowledge of or responsibility for the terms of the Second Additional Servicing Agreement and Annex 1 thereto, or the System Restoration Servicing Agreement and Annex 1 thereto, or any adjustment, calculation and allocation thereunder, (b) none of the Second Additional Secured Parties shall be deemed or required under this Agreement to have any knowledge of or responsibility for the terms of the First Additional Servicing Agreement and Annex 1 thereto, or the System Restoration Servicing Agreement and Annex 1 thereto, or any adjustment, calculation and allocation thereunder, and (c) none of the System Restoration Secured Parties shall be deemed or required under this Agreement to have any knowledge of or responsibility for the terms of the First Additional Servicing Agreement and Annex 1 thereto, or the Second Additional Servicing Agreement and Annex 1 thereto, or any adjustment, calculation and allocation thereunder. Accordingly, (A) each of the First Additional Secured Parties may, solely for the purpose of this Agreement, conclusively rely on the accuracy of the calculations of the Second Additional TC Servicer in making adjustments, calculations and allocations under the Second Additional Servicing Agreement and Annex I thereto and of the System Restoration Servicer in making adjustments, calculations and allocations under the System Restoration Servicing Agreement and Annex I thereto, (B) each of the Second Additional Secured Parties may, solely for the purpose of this Agreement, conclusively rely on the accuracy of the calculations of the First Additional TC Servicer in making adjustments, calculations and allocations under the First Additional Servicing Agreement and Annex I thereto and of the System Restoration Servicer in making adjustments, calculations and allocations under the System Restoration Servicing Agreement and Annex I thereto, and (C) each of the System Restoration Secured Parties may, solely for the purpose of this Agreement, conclusively rely on the accuracy of the calculations of the First Additional TC Servicer in making adjustments, calculations and allocations under the First Additional Servicing Agreement and Annex I thereto and of the Second Additional TC Servicer in making adjustments, calculations and allocations under the Second Additional Servicing Agreement and Annex I thereto. Such acknowledgement shall not relieve the Company of any of its obligations to make payments in accordance with the terms of the First Additional Sale Agreement, the Second Additional Sale Agreement and the System Restoration Sale Agreement, nor shall it relieve the First Additional TC Servicer, the Second Additional TC Servicer or the System Restoration Servicer of their obligations under the First Additional Servicing Agreement, the Second Additional Servicing Agreement and the System Restoration Servicing Agreement, respectively.

SECTION 8. Termination. This Agreement shall terminate at such time as there is only one outstanding issue of Transition Bonds, except that the understandings and acknowledgements contained in Sections 1, 2 and 3 shall survive the termination of this Agreement. Upon the payment in full of the First Additional Transition Bonds this Agreement shall terminate as to the First Additional Parties but the parties hereto agree that the provisions hereof shall remain enforceable as among the Second Additional Parties and the System Restoration Parties.

SECTION 9. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 10. Further Assurances. Each of the parties hereto agrees to execute any and all agreements, instruments, financing statements, releases and any and all other documents reasonably requested by any of the other parties hereto in order to effectuate the intent of this Agreement. In each case where a release is to be given pursuant to this Agreement, the term release shall include any documents or instruments necessary to effect a release, as contemplated by this Agreement. All releases, subordinations and other instruments submitted to the executing party are to be prepared at no expense to such party. Notwithstanding anything herein to the contrary, none of the First Additional Transition Bond Trustee, the Second Additional Transition Bond Trustee nor the System Restoration Bond Trustee shall be required to execute any such agreements, instruments, releases or other documents unless directed to do so by an "Issuer Order," as such term is defined in the applicable Indenture.

SECTION 11. Limitation on Rights of Others. This Agreement is solely for the benefit of the First Additional Transition Bond Issuer, the First Additional Transition Bond Trustee for the benefit of itself, the Second Additional Transition Bond Issuer, the Second Additional Transition Bond Trustee for the benefit of itself, the System Restoration Bond Issuer, the System Restoration Bond Trustee for the benefit of itself, the holders of the Transition Bonds, and the Company, and no other person or entity shall have any rights, benefits, priority or interest under or because of the existence of this Agreement.

SECTION 12. Amendments. In the event that the Company hereafter causes transition property to be created under any financing order and acts as servicer for the transition bonds issued pursuant to such financing order, the parties hereto agree that this Agreement may be amended and restated (i) to add as parties hereto the relevant issuer of such transition bonds, the indenture trustee therefor, and the servicer of such transition property and (ii) to reflect the rights and obligations of such parties with respect to such transition property on terms substantially similar to the rights and obligations of the issuers, trustees and servicers currently party hereto; provided that no such amendment shall be effective unless (x) evidenced by written instrument signed by the parties hereto and such additional parties and (y) the Rating Agency Condition shall have been satisfied with respect thereto and provided, further, that no party hereto shall be required to execute any such amended agreement on terms which are materially more disadvantageous to it or the Holders (as defined in the respective Indenture) than those contained herein. None of the First Additional Transition Bond Trustee, the Second Additional Transition Bond Trustee nor the System Restoration Bond Trustee shall be required to execute any such amendment unless directed to do so by an "Issuer Order," as such term is defined in the applicable Indenture.

SECTION 13. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (ii) the remainder of this Agreement and the application of such provision to other Persons, or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

SECTION 14. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 15. Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or any of the Indentures, each of the parties covenants that it shall not, prior to the date which is one year and one day after payment in full of the last of the Transition Bonds, acquiesce, petition or otherwise invoke or cause any of the First Additional Transition Bond Issuer, the Second Additional Transition Bond Issuer or the System Restoration Bond Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the First Additional Transition Bond Issuer, the Second Additional Transition Bond Issuer or the System Restoration Bond Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the First Additional Transition Bond Issuer, the Second Additional Transition Bond Issuer or the System Restoration Bond Issuer, or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the First Additional Transition Bond Issuer, the Second Additional Transition Bond Issuer or the System Restoration Bond Issuer.

SECTION 16. Trustees. The Bank of New York Mellon, as First Additional Transition Bond Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the First Additional Indenture. U.S. Bank National Association, as Second Additional Transition Bond Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Second Additional Indenture. U.S. Bank National Association, as System Restoration Bond Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the System Restoration Indenture.

SECTION 17. Notices, Etc. Any notice provided or permitted by this Agreement to be made upon, given or furnished to or filed with any party hereto shall be shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing by facsimile transmission, first-class mail or overnight delivery service to the applicable party at its address set forth on Exhibit A hereto or, as to any party, at such other address as shall be designated by such party by written notice to the other parties hereto.

SECTION 18. Restatement. This Agreement amends and restates in its entirety that certain First Amended and Restated Intercreditor Agreement dated as of March 14, 2012, by and among AEP Texas Central Company, including in its capacity as collection agent, the Initial Parties, the First Additional Parties and the Second Additional Parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

AEP TEXAS INC., as Company, First Additional TC Servicer, Second Additional TC Servicer, System Restoration Servicer and as collection agent

By: _____
Name:
Title:

AEP TEXAS CENTRAL TRANSITION FUNDING II LLC

By: _____
Name:
Title:

AEP TEXAS CENTRAL TRANSITION FUNDING III LLC

By: _____
Name:
Title:

AEP TEXAS RESTORATION FUNDING LLC

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON, as First Additional Transition Bond Trustee

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as Second Additional Transition Bond Trustee and System Restoration Bond Trustee

By: _____
Name:
Title:

EXHIBIT A

NOTICE ADDRESSES

AEP Texas Inc.
1 Riverside Plaza
Columbus, Ohio 43215
Attention: Treasurer
Telephone: (614) 716-1000
Facsimile: (614) 716-2807

AEP Texas Central Transition Funding II LLC
539 N. Carancahua Street, Suite 1700
Corpus Christi, Texas 78401
Attention: Manager
Telephone: (361) 881-5399
Facsimile: (361) 880-6128

AEP Texas Central Transition Funding III LLC
539 N. Carancahua Street, Suite 1700
Corpus Christi, Texas 78401
Attention: Manager
Telephone: (361) 881-5399
Facsimile: (361) 880-6128

AEP Texas Restoration Funding LLC
539 N. Carancahua Street, Suite 1700
Corpus Christi, Texas 78401
Attention: Manager
Telephone: (361) 881-5399
Facsimile: (361) 880-6128

The Bank of New York Mellon
240 Greenwich Street, Floor 7 East
New York, New York 10286
Attention: Henry Li, Vice President
Telephone: (212) 815-5754
Facsimile: (212) 815-2493

U.S Bank National Association
190 South LaSalle Street, 7th Floor
MK-IL-SL7R
Chicago, Illinois 60603
Attention: Global Structured Finance – AEP SRC 2019-1
Telephone: (312) 332-7464
Email: nicholos.xeros@usbank.com; melissa.rosal@usbank.com

SERIES SUPPLEMENT

This SERIES SUPPLEMENT dated as of September 18, 2019 (this "Supplement"), by and between AEP TEXAS RESTORATION FUNDING LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank National Association, a national banking association ("BANK"), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of September 18, 2019, by and between the Issuer and BANK, in its capacity as Indenture Trustee and in its separate capacity as a securities intermediary (the "Indenture").

PRELIMINARY STATEMENT

Section 9.01 of the Indenture provides, among other things, that the Issuer and the Indenture Trustee may at any time enter into an indenture supplemental to the Indenture for the purposes of authorizing the issuance by the Issuer of the System Restoration Bonds and specifying the terms thereof. The Issuer has duly authorized the creation of the System Restoration Bonds with an initial aggregate principal amount of $235,282,000 to be known as AEP Texas Restoration Funding LLC System Restoration Bonds (the "System Restoration Bonds"), and the Issuer and the Indenture Trustee are executing and delivering this Supplement in order to provide for the System Restoration Bonds.

All terms used in this Supplement that are defined in the Indenture, either directly or by reference therein, have the meanings assigned to them therein, except to the extent such terms are defined or modified in this Supplement or the context clearly requires otherwise. In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement shall govern.

GRANTING CLAUSE

With respect to the System Restoration Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the System Restoration Bonds, all of the Issuer's right, title and interest (whether now owned or hereafter acquired or arising) in and to (a) the Transition Property created under and pursuant to the Financing Order, and transferred by the Seller to the Issuer pursuant to the Sale Agreement (including, to the fullest extent permitted by law, the right to impose, collect and receive System Restoration Charges, all revenues, collections, claims, rights, payments, money or proceeds of or arising from the System Restoration Charges authorized in the Financing Order and any Tariffs filed pursuant thereto and any contractual rights to collect such System Restoration Charges from Customers and REPs), (b) all System Restoration Charges related to the Transition Property, (c) the Sale Agreement and the Bill of Sale executed in connection therewith and all property and interests in property transferred under the Sale Agreement and the Bill of Sale with respect to the Transition Property and the System Restoration Bonds, (d) the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement and any subservicing, agency, intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the foregoing Transition Property and the System Restoration Bonds, (e) the Collection Account, all subaccounts thereof 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, (f) all rights to compel the Servicer to file for and obtain adjustments to the System Restoration Charges in accordance with Section 39.307 (as incorporated through Section 36.403(a)) of the Securitization Law, the Financing Order or any Tariff filed in connection therewith, (g) all deposits, guarantees, surety bonds, letters of credit and other forms of credit support provided by or on behalf of REPs pursuant to such Financing Order or Tariff, including investment earnings thereon and all amounts on deposit in the REP Deposit Accounts; (h) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Transition Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property, (i) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, (j) all payments on or under, and all proceeds in respect of, any or all of the foregoing; it being understood that the following do not constitute System Restoration Bond Collateral: (i) cash that has been released pursuant to Section 8.02(e)(xii) of the Indenture and, following retirement of all Outstanding System Restoration Bonds, cash that has been released pursuant to Section 8.02(e)(xiv) of the Indenture and (ii) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the System Restoration Bonds (together with any interest earnings thereon), it being understood that such amounts described in clauses (i) and (ii) above shall not be subject to Section 3.17 of the Indenture.

The foregoing Grant is made in trust to secure the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the System Restoration Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee equally and ratably without prejudice, priority or distinction, except as expressly provided in the Indenture, to secure compliance with the provisions of the Indenture with respect to the System Restoration Bonds, all as provided in the Indenture and to secure the performance by the Issuer of all of its obligations under the Indenture (collectively, the "Secured Obligations"). The Indenture and this Series Supplement constitute a security agreement within the meaning of the Securitization Law and under the UCC to the extent that the provisions of the UCC are applicable hereto.

The Indenture Trustee, as indenture trustee on behalf of the Secured Parties of the System Restoration Bonds, acknowledges such Grant and accepts the trusts under this Supplement and the Indenture in accordance with the provisions of this Supplement and the Indenture.

SECTION 1. Designation. The System Restoration Bonds shall be designated generally as the System Restoration Bonds, and further denominated as Tranches A-1 through A-2.

SECTION 2. Initial Principal Amount; System Restoration Bond Interest Rate; Scheduled Payment Date; Final Maturity Date. The System Restoration Bonds of each Tranche shall have the initial principal amount, bear interest at the rates per annum and shall have the Scheduled Final Payment Dates and the Final Maturity Dates set forth below:

Tranche	Initial Principal Amount	System Restoration Bond Interest Rate	Scheduled Final Payment Date	Maturity Date
A-1	117,641,000	2.0558%	2/1/2025	2/1/2027
A-2	117,641,000	2.2939%	8/1/2029	8/1/2031

The System Restoration Bond Interest Rate shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3. Authentication Date; Payment Dates; Expected Amortization Schedule for Principal; Periodic Interest; No Premium; Other Terms.

(a) Authentication Date. The System Restoration Bonds that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on September 18, 2019 (the "Closing Date") shall have as their date of authentication September 18, 2019.

(b) Payment Dates. The Payment Dates for the System Restoration Bonds are February 1 and August 1 of each year or, if any such date is not a Business Day, the next succeeding Business Day, commencing on February 1, 2020 (the "Initial Payment Date") and continuing until the earlier of repayment of the Tranche A-2 System Restoration Bonds in full and the Final Maturity Date Tranche A-2 System Restoration Bonds.

(c) Expected Amortization Schedule for Principal. Unless an Event of Default shall have occurred and be continuing on each Payment Date, the Indenture Trustee shall distribute to the Holders of record as of the related Record Date amounts payable pursuant to Section 8.02(e) of the Indenture as principal, in the following order and priority: (1) to the holders of the Tranche A-1 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; and (2) to the holders of the Tranche A-2 System Restoration Bonds, until the Outstanding Amount of such Tranche of System Restoration Bonds thereof has been reduced to zero; provided, however, that in no event shall a principal payment pursuant to this Section 3(c) on any Tranche on a Payment Date be greater than the amount necessary to reduce the Outstanding Amount of such Tranche of System Restoration Bonds to the amount specified in the Expected Amortization Schedule which is attached as Schedule A hereto for such Tranche and Payment Date.

(d) Periodic Interest. Periodic Interest will be payable on each Tranche of the System Restoration Bonds on each Payment Date in an amount equal to one-half of the product of (i) the applicable System Restoration Bond Interest Rate and (ii) the Outstanding Amount of the related Tranche of System Restoration Bonds as of the close of business on the preceding Payment Date after giving effect to all payments of principal made to the Holders of the related Tranche of System Restoration Bonds on such preceding Payment Date; provided, however, that with respect to the Initial Payment Date, or, if no payment has yet been made, interest on the outstanding principal balance will accrue from and including the Closing Date to, but excluding, the following Payment Date.

(e) Book-Entry System Restoration Bonds. The System Restoration Bonds shall be Book-Entry System Restoration Bonds and the applicable provisions of Section 2.11 of the Indenture shall apply to the System Restoration Bonds.

(f) Waterfall Caps. The amount payable with respect to the System Restoration Bonds pursuant to Section 8.02(e)(i) shall not exceed $100,000 annually.

SECTION 4. Minimum Denominations. The System Restoration Bonds shall be issuable in the Minimum Denomination and integral multiples of $1,000 in excess thereof.

SECTION 5. Certain Defined Terms. Article I of the Indenture provides that the meanings of certain defined terms used in the Indenture shall be as defined in Appendix A to the Indenture. Additionally, Article II of the Indenture provides certain terms will have the meanings specified in the related Supplement. With respect to the System Restoration Bonds, the following definitions shall apply:

"Initial Payment Date" has the meaning set forth in Section 3 of this Supplement.

"Minimum Denomination" shall mean $100,000 or integral multiples of $1,000 in excess thereof, except for one bond of each tranche which may be of a smaller denomination.

"System Restoration Bond Interest Rate" has the meaning set forth in Section 2 of this Supplement.

"Payment Date" has the meaning set forth in Section 3(b) of this Supplement.

"Periodic Interest" has the meaning set forth in Section 3(d) of this Supplement.

"Closing Date" has the meaning set forth in Section 3(a) of this Supplement.

SECTION 6. Delivery and Payment for the System Restoration Bonds; Form of the System Restoration Bonds. The Indenture Trustee shall deliver the System Restoration Bonds to the Issuer when authenticated in accordance with Section 2.03 of the Indenture. The System Restoration Bonds of each Tranche shall be in the form of Exhibits A-1 through A-2 hereto.

SECTION 7. Ratification of Agreement. As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Supplement, shall be read, taken, and construed as one and the same instrument. This Supplement amends, modifies and supplemented the Indenture only in so far as it relates to the System Restoration Bonds.

SECTION 8. Counterparts. This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 9. GOVERNING LAW. THIS SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND SECTIONS 9-301 THROUGH 9-306 OF THE NY UCC), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED UNDER THE INDENTURE IN TRANSITION PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE TRANSITION PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 10. Issuer Obligation. No recourse may be taken directly or indirectly, by the Holders with respect to the obligations of the Issuer on the System Restoration Bonds, under the Indenture or under this Supplement or any certificate or other writing delivered in connection herewith or therewith, against (i) any owner of a beneficial interest in the Issuer (including AEP Texas) or (ii) any shareholder, partner, owner, beneficiary, agent, officer, director, employee or agent of the Indenture Trustee, the Managers or any owner of a beneficial interest in the Issuer (including AEP Texas) in its individual capacity, or of any successor or assign of any of them in their respective individual or corporate capacities, except as any such Person may have expressly agreed. Each Holder by accepting a System Restoration 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 System Restoration Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement to be duly executed by their respective officers thereunto duly authorized as of the first day of the month and year first above written.

AEP TEXAS RESTORATION FUNDING LLC, as Issuer

By: _____
Name:
Title:

U.S. Bank National Association, as Indenture Trustee

By: _____
Name:
Title:

SCHEDULE A

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

DATE	Tranche A-1	Tranche A-2
Issuance Date	$ 117,641,000	$ 117,641,000
2/1/2020	$ 114,331,459	$ 117,641,000
8/1/2020	$ 103,240,917	$ 117,641,000
2/1/2021	$ 92,036,376	$ 117,641,000
8/1/2021	$ 80,716,663	$ 117,641,000
2/1/2022	$ 69,280,595	$ 117,641,000
8/1/2022	$ 57,726,976	$ 117,641,000
2/1/2023	$ 46,054,597	$ 117,641,000
8/1/2023	$ 34,262,238	$ 117,641,000
2/1/2024	$ 22,348,665	$ 117,641,000
8/1/2024	$ 10,312,632	$ 117,641,000
2/1/2025	$ ---	$ 115,793,881
8/1/2025	$ ---	$ 103,506,941
2/1/2026	$ ---	$ 91,079,076
8/1/2026	$ ---	$ 78,508,669
2/1/2027	$ ---	$ 65,794,086
8/1/2027	$ ---	$ 52,933,674
2/1/2028	$ ---	$ 39,925,758
8/1/2028	$ ---	$ 26,768,649
2/1/2029	$ ---	$ 13,460,634
8/1/2029	$ ---	$ ---
2/1/2030	$ ---	$ ---
8/1/2030	$ ---	$ ---
2/1/2031	$ ---	$ ---
8/1/2031	$ ---	$ ---