

**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**

**May 27, 2026
Date of Report (Date of earliest event reported)**

(Commission File Number)	(Exact Name of Registrant as Specified in its Charter)	(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1-3457 333-293890-01	APPALACHIAN POWER COMPANY APPALACHIAN POWER RECOVERY FUNDING LLC	Virginia Delaware	54-0124790 41-3000250

APPALACHIAN POWER COMPANY
1 Riverside Plaza
Columbus, OH 43215-2373
(Address of Principal Executive Offices) (Zip Code)

(614) 716-1000
(Registrant's Telephone Number, Including Area Code)

APPALACHIAN POWER RECOVERY FUNDING LLC
1051 E Cary St., Suite 1100
Richmond, Virginia 23219
(Address of Principal Executive Offices) (Zip Code)

(614) 716-1519
(Registrant's Telephone Number, Including Area Code)

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. below):

- 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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
	None	

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).

Emerging growth company

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 May 27, 2026, Appalachian Power Recovery Funding LLC (the “Issuing Entity”) issued \$1,375,500,000 aggregate principal amount of its Series 2026-A Senior Secured SAC Bonds (the “Bonds”), pursuant to an Indenture, dated as of May 27, 2026, by and among the Issuing Entity, U.S. Bank Trust Company, National Association, as Indenture Trustee (the “Indenture Trustee”), and U.S. Bank National Association, as Securities Intermediary (the “Securities Intermediary”), as supplemented by the Series Supplement, dated as of May 27, 2026, by and between the Issuing Entity, the Indenture Trustee and the Securities Intermediary. The Bonds were offered pursuant to the Prospectus dated May 19, 2026. In connection with the issuance of the Bonds, Appalachian Power Company and the Issuing Entity are filing the exhibits listed in Item 9.01, which are annexed hereto as exhibits to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
4.1	<u>Indenture by and among Appalachian Power Recovery Funding LLC, U.S. Bank Trust Company, National Association, as Indenture Trustee, and U.S. Bank National Association, as Securities Intermediary (including the form of the Bonds and the Series Supplement), dated as of May 27, 2026.</u>
4.2	<u>Series Supplement by and among Appalachian Power Recovery Funding LLC, U.S. Bank Trust Company, National Association, as Indenture Trustee, and U.S. Bank National Association, as Securities Intermediary, dated as of May 27, 2026.</u>
5.1	<u>Opinion of Sidley Austin LLP with respect to legality (filed as Exhibit 5.1 to Appalachian Power Company's and Appalachian Power Recovery Funding LLC's Amendment No. 1 to the Registration Statement on Form SF-1 filed on May 1, 2026 (File Nos. 333-293890 and 333-293890-01) and incorporated herein by reference).</u>
8.1	<u>Opinion of Sidley Austin LLP with respect to federal tax matters (filed as Exhibit 8.1 to Appalachian Power Company's and Appalachian Power Recovery Funding LLC's Amendment No. 1 to the Registration Statement on Form SF-1 filed on May 1, 2026 (File Nos. 333-293890 and 333-293890-01) and incorporated herein by reference).</u>
8.2	<u>Opinion of Troutman Pepper Locke LLP with respect to Virginia tax matters (filed as Exhibit 8.2 to Appalachian Power Company's and Appalachian Power Recovery Funding LLC's Amendment No. 1 to the Registration Statement on Form SF-1 filed on May 1, 2026 (File Nos. 333-293890 and 333-293890 -01) and incorporated herein by reference).</u>
10.1	<u>Servicing Agreement between Appalachian Power Recovery Funding LLC and Appalachian Power Company, as Servicer, dated as of May 27, 2026.</u>
10.2	<u>Purchase and Sale Agreement between Appalachian Power Recovery Funding LLC and Appalachian Power Company, as Seller, dated as of May 27, 2026.</u>
10.3	<u>Administration Agreement between Appalachian Power Recovery Funding LLC and Appalachian Power Company, as Administrator, dated as of May 27, 2026.</u>
10.4	<u>Joinder to Intercreditor Agreement between Appalachian Power Company, as the Company, Securitization Property Servicer and Receivables Sub-Servicer, Appalachian Power Recovery Funding LLC, as a Bond Issuer, and U.S. Bank Trust Company, National Association, as Indenture Trustee, dated as of May 27, 2026.</u>
23.1	Consent of Sidley Austin LLP (included as part of its opinions filed as Exhibits <u>5.1</u> , <u>8.1</u> and <u>99.2</u>).
23.2	Consent of Troutman Pepper Locke LLP (included as part of its opinions filed as Exhibits <u>8.2</u> and <u>99.3</u>).
99.2	<u>Opinion of Sidley Austin LLP with respect to U.S. constitutional matters.</u>
99.3	<u>Opinion of Troutman Pepper Locke LLP with respect to Virginia constitutional matters.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Dated: May 27, 2026

APPALACHIAN POWER COMPANY

By: /s/ Matthew D. Fransen

Matthew D. Fransen
Vice President and Treasurer

**APPALACHIAN POWER RECOVERY FUNDING
LLC**

By: /s/ Matthew D. Fransen

Matthew D. Fransen
Manager

APPALACHIAN POWER RECOVERY FUNDING LLC,

as Issuer,

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,

as Indenture Trustee,

and

U.S. BANK NATIONAL ASSOCIATION,

as Securities Intermediary

INDENTURE

Dated as of May 27, 2026

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EXHIBITS AND SCHEDULES

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<u>Exhibit B</u>	Form of Series Supplement
<u>Exhibit C</u>	Servicing Criteria to be Addressed by Indenture Trustee in Assessment of Compliance

APPENDIX

APPENDIX A	Definitions
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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

<u>TIA SECTION</u>		<u>INDENTURE SECTION</u>
	(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.

INDENTURE

This INDENTURE dated as of May 27, 2026, by and between APPALACHIAN POWER RECOVERY FUNDING LLC, a Delaware limited liability company (the “Issuer”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely in its capacity as indenture trustee (the “Indenture Trustee”) for the benefit of the Secured Parties (as defined herein), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely in its capacity as 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 SAC Bonds issuable hereunder, which will be of substantially the tenor set forth herein and in the Series Supplement.

The SAC Bonds shall be non-recourse obligations and shall be secured by and payable solely out of the proceeds of the SAC Property and the other SAC Bond Collateral. If and to the extent that such proceeds of the SAC Property and the other SAC Bond Collateral are insufficient to pay all amounts owing with respect to the SAC 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 SAC Bonds, waive any such Claim.

All things necessary to (a) make the SAC 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 SAC 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 SAC 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 SAC Bonds, has hereby executed and delivered this Indenture and by these presents does hereby and under the Series Supplement will convey, grant, 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, all of the Issuer’s right, title, and interest in, to and under any and all of the property described in the Series Supplement (such property hereinafter referred to as the “SAC Bond Collateral”). The Series Supplement will more particularly describe the obligations of the Issuer secured by the SAC Bond Collateral.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED between the parties hereto that all SAC Bonds are to be issued, countersigned and delivered and that all of the SAC 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 SAC 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:

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

(b) 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;

(c) “or” is not exclusive;

(d) “includes” and “including” means “includes without limitation” and “including without limitation,” respectively;

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

(f) 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 SAC BONDS

SECTION 2.01. Form. The SAC 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 SAC Bonds, as evidenced by their execution of the SAC Bonds. Any portion of the text of any SAC Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the SAC Bond.

The SAC 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 SAC Bonds, as evidenced by their execution of the SAC Bonds.

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

SECTION 2.02. Denominations of SAC Bonds. The SAC 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 SAC 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 “SAC Bonds” of the Issuer, with such further particular designations added or incorporated in such title for the SAC Bonds of any particular Tranche as a Responsible Officer of the Issuer may determine. Each SAC Bond shall bear upon its face the designation so selected for the Tranche to which it belongs. All SAC Bonds shall be identical in all respects except for the denominations thereof, unless the SAC Bonds are comprised of one or more Tranches, in which case all SAC Bonds of the same Tranche shall be identical in all respects except for the denominations thereof. All SAC 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 SAC Bonds shall be created by the Series Supplement authorized by a Responsible Officer of the Issuer, which Series Supplement shall specify and establish the terms and provisions thereof. The several Tranches thereof may differ as between Tranches, in respect of any of the following matters:

(a) designation of the Tranches thereof;

-
- (b) the principal amount (and, if more than one Tranche is issued, the respective principal amounts of such Tranches);
 - (c) the Bond Interest Rate or the formula, if any, used to calculate Bond Interest Rate or Bond Interest Rates;
 - (d) the Payment Dates;
 - (e) the Scheduled Payment Dates;
 - (f) the Scheduled Final Payment Date;
 - (g) the Final Maturity Date;
 - (h) the place or places for the payment of interest, principal and premium, if any;
 - (i) the Minimum Denominations;
 - (j) the Expected Amortization Schedule;
 - (k) provisions with respect to the definitions set forth in Appendix A hereto;
 - (l) whether or not the SAC Bonds are to be Book-Entry SAC Bonds and the extent to which Section 2.11 should apply; and
 - (m) any other provisions expressing or referring to the terms and conditions upon which the SAC 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.

(a) The SAC Bonds shall be executed on behalf of the Issuer by any of its Responsible Officers. The signature of any such Responsible Officer on the SAC Bonds may be manual, electronic or facsimile.

(b) SAC Bonds bearing the manual, electronic 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 SAC Bonds or did not hold such offices at the date of the SAC Bonds.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver SAC 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 SAC Bonds as provided in this Indenture and not otherwise.

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

(e) The words “execution,” “signed,” “signature,” and words of like import in this Indenture shall include images of manually executed signatures transmitted by facsimile, email or other electronic format (including, without limitation, “pdf,” “tif” or “jpg”) and other electronic signatures (including without limitation, DocuSign and AdobeSign). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the UCC.

SECTION 2.04. Temporary SAC Bonds.

(a) Pending the preparation of Definitive SAC 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 SAC Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, of the tenor of the Definitive SAC 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 SAC Bonds may determine, as evidenced by their execution of the SAC Bonds.

(b) If Temporary SAC Bonds are issued, the Issuer will cause Definitive SAC Bonds to be prepared without unreasonable delay. After the preparation of Definitive SAC Bonds, the Temporary SAC Bonds shall be exchangeable for Definitive SAC Bonds upon surrender of the Temporary SAC 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 SAC Bonds, the SAC Bond Issuer shall execute and the Indenture Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive SAC Bonds of Minimum Denominations. Until so delivered in exchange, the Temporary SAC Bonds shall in all respects be entitled to the same benefits under this Indenture as Definitive SAC Bonds.

SECTION 2.05. Registration; Registration of Transfer and Exchange of SAC Bonds.

(a) The Issuer shall cause to be kept a register (the “SAC Bond Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of SAC Bonds and the registration of transfers of SAC Bonds. U.S. Bank Trust Company, National Association, shall be “SAC Bond Registrar” for the purpose of registering SAC Bonds and transfers of SAC Bonds as herein provided. Upon any resignation of any SAC Bond Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of SAC Bond Registrar.

(b) If a Person other than the Indenture Trustee is appointed by the Issuer as SAC Bond Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such SAC Bond Registrar and of the location, and any change in the location, of the SAC Bond Register, the Indenture Trustee shall have the right to inspect the SAC 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 SAC Bond Registrar by a Responsible Officer thereof as to the names and addresses of the Holders and the principal amounts and number of the SAC Bonds (separately stated by Tranche).

(c) Upon surrender for registration of transfer of any SAC 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 SAC Bonds in any Minimum Denominations, of the same Tranche and aggregate principal amount.

(d) At the option of the Holder, SAC Bonds may be exchanged for other SAC Bonds in any Minimum Denominations, of the same Tranche and aggregate principal amount, upon surrender of the SAC Bonds to be exchanged at such office or agency as provided in Section 3.02. Whenever any SAC 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 SAC Bonds which the Holder making the exchange is entitled to receive.

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

(f) Every SAC Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by: (i) 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: (A) The Securities Transfer Agent Medallion Program (STAMP); (B) The New York Stock Exchange Medallion Program (MSP); (C) The Stock Exchange Medallion Program (SEMP); or (D) such other signature guaranty program acceptable to the Indenture Trustee; and (ii) such other documents as the Indenture Trustee may require.

(g) No service charge shall be made to a Holder for any registration of transfer or exchange of SAC 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 SAC Bonds, other than exchanges pursuant to Sections 2.04 or 2.06 not involving any transfer.

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

SECTION 2.06. Mutilated, Destroyed, Lost or Stolen SAC Bonds.

(a) If (i) any mutilated SAC Bond is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any SAC 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 SAC Bond Registrar or the Indenture Trustee that such SAC 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 SAC Bond, a replacement SAC Bond of like Tranche, tenor and principal amount, bearing a number not contemporaneously outstanding; provided, however, that, if any such destroyed, lost or stolen SAC Bond, but not a mutilated SAC Bond, shall have become or within seven (7) days shall be due and payable, instead of issuing a replacement SAC Bond, the Issuer may pay such destroyed, lost or stolen SAC Bond when so due or payable without surrender thereof. If, after the delivery of such replacement SAC Bond or payment of a destroyed, lost or stolen SAC Bond pursuant to the proviso to the preceding sentence, a Protected Purchaser of the original SAC Bond in lieu of which such replacement SAC Bond was issued presents for payment such original SAC Bond, the Issuer and the Indenture Trustee shall be entitled to recover such replacement SAC Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement SAC Bond from such Person to whom such replacement SAC 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.

(b) Upon the issuance of any replacement SAC Bond under this Section 2.06, the Issuer and/or the Indenture Trustee may require the payment by the Holder of such SAC 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 SAC Bond Registrar) connected therewith.

(c) Every replacement SAC Bond issued pursuant to this Section 2.06 in replacement of any mutilated, destroyed, lost or stolen SAC Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen SAC 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 SAC Bonds duly issued hereunder.

(d) 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 SAC Bonds.

SECTION 2.07. Persons Deemed Owner. Prior to due presentment for registration of transfer of any SAC Bond, the Issuer, the Indenture Trustee, the SAC Bond Registrar and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name any SAC Bond is registered (as of the day of determination) as the owner of such SAC Bond for the purpose of receiving payments of principal of and premium, if any, and interest on such SAC Bond and for all other purposes whatsoever, whether or not such SAC Bond be overdue, and none of the Issuer, the Indenture Trustee or 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 SAC Bonds shall accrue interest as provided in the Series Supplement at the applicable 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 SAC Bond which is punctually paid or duly provided for on the applicable Payment Date shall be paid to the Person in whose name such SAC Bond (or one or more Predecessor SAC 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 SAC Bonds, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global SAC Bond unless and until such Global SAC Bond is exchanged for Definitive SAC 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 SAC Bond on a Payment Date, which shall be payable as provided below.

(b) The principal of each SAC 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 Expected Amortization Schedule. 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 SAC Bonds of a Tranche upon the Final Maturity Date for the SAC Bonds shall constitute an Event of Default under this Indenture as set forth in Section 5.01. Notwithstanding the foregoing, the entire unpaid principal amount of the SAC 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 SAC Bonds representing not less than a majority of the Outstanding Amount of the SAC Bonds have declared the SAC 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 SAC Bonds shall be made pro rata to the Holders entitled thereto unless otherwise provided in the Series Supplement. Upon written notice from the Issuer, the Indenture Trustee shall notify the Person in whose name a SAC 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 SAC Bond will be paid. Such notice shall be sent (or made available electronically) 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 SAC Bond and shall specify the place where such SAC Bond may be presented and surrendered for payment of such installment.

(c) If interest on the SAC Bonds is not paid when due, such defaulted interest shall be paid (plus interest on such defaulted interest at the applicable 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 send (or make available electronically) 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 SAC 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 SAC Bonds previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all SAC Bonds so delivered shall be promptly canceled by the Indenture Trustee. No SAC Bonds shall be authenticated in lieu of or in exchange for any SAC Bonds canceled as provided in this Section 2.09, except as expressly permitted by this Indenture. All canceled SAC 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 SAC Bonds. The aggregate Outstanding Amount of SAC Bonds that may be authenticated and delivered under this Indenture shall not exceed the aggregate of the amounts of SAC Bonds that are authorized in the Financing Order but otherwise shall be unlimited.

SAC 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 SAC Bonds:

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

(b) 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 SAC Bonds and (z) a duly executed Series Supplement.

(c) Opinions. An opinion or opinions, portions of which may be delivered by one or more external counsel for the Issuer, for the Servicer, or for the Seller, dated as of 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 SAC Bonds and (ii) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture, have been complied with, (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 Section 3.06(a) hereof and in Sections 9(c)-(r) of the Underwriting Agreement relating to the Issuer's SAC Bonds, and (c) such action has been taken with respect to the recording and filing of this Indenture, any indentures supplemental hereto and any other requisite documents, including the execution and filing of such filings (including financing statements and continuation statements) with the appropriate governmental filing office pursuant to the Securitization Law, as is necessary to perfect and make effective the Lien and the perfected security interest created by this Indenture and the Series Supplement, and, based on a review of a current report of a search of the appropriate governmental filing office, no other financing statement has been filed under the applicable UCC describing any Lien that could rank equal or prior to the Lien of the Indenture, and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make effective such Lien.

(d) 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 SAC Bonds and (b) the Series Supplement is in the form attached thereto and complies with the requirements of Section 2.02.

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

(f) Certificates of the Issuer and the Seller.

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

(A) to the effect that (A) the Issuer is not in Default under this Indenture and that the issuance of the SAC 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) all conditions precedent provided in this Indenture relating to the execution, authentication and delivery of the SAC Bonds have been complied with;

(B) to the effect that the Issuer has not assigned any interest or participation in the SAC Bond Collateral except for the Grant contained in this Indenture and the Series Supplement; the Issuer has the power and right to Grant the SAC 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 SAC Bond Collateral free and clear of any Lien arising as a result of actions of the Issuer or through the Issuer, except any Lien created by the Issuer under the Basic Documents in favor of the Indenture Trustee for the benefit of the Secured Parties in accordance with the Securitization Law;

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

(D) 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;

(E) certifying that the SAC Bonds have received the ratings from the Rating Agencies if required by the Underwriting Agreement as a condition to the issuance of the SAC Bonds;

(F) stating that (1) all conditions precedent provided for in this Indenture relating to (a) the authentication and delivery of the SAC Bonds, and (b) the execution of the Series Supplement, have been complied with, (2) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture is authorized or permitted by this Indenture, and (3) the Issuer has delivered the documents required under this Section 2.10 and has otherwise satisfied the requirements set out in this Section 2.10, including, but not limited to, complying with Section 2.10(f)(i) hereof; and

(G) stating that all filings with the Commission and the Secretary of State pursuant to the Securitization Law, the UCC and the Financing Order and all UCC financing statements with respect to the SAC 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.

(ii) An Officer's Certificate from the Seller, dated as of the Closing Date, to the effect that, in the case of the SAC Property identified in the Bill of Sale, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement:

(A) the Seller was the original and the sole owner of such SAC Property, free and clear of any Lien; the Seller had not assigned any interest or participation in such SAC 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 SAC 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 SAC Property and the proceeds thereof, free and clear of any Lien (other than any Lien created by the Issuer under the Basic Documents in favor of the Indenture Trustee for the benefit of the Secured Parties in accordance with the Securitization Law) and such sale and assignment is absolute and irrevocable and has been perfected;

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

(C) 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.

(g) 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.

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

(i) Other Requirements. Such other documents, certificates, agreements, instruments or opinions as the Indenture Trustee may reasonably require.

SECTION 2.11. Book-Entry SAC Bonds.

(a) Unless the Series Supplement provides otherwise, all of the SAC 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 SAC Bonds, evidencing the SAC Bonds which (i) shall be an aggregate original principal amount equal to the aggregate original principal amount of the SAC 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.

(b) 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.

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

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

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

(iii) 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;

(iv) the rights of the Holders shall be exercised only through the Clearing Agency and the Clearing Agency Participants and shall be limited to those established by applicable 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 SAC 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 of and interest on the Book-Entry SAC Bonds to such Clearing Agency Participants; and

(v) 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 SAC 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 SAC 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 SAC Bonds shall have been issued to the Holders pursuant to Section 2.13, whenever notice, payment, or other communications to the holders of Book-Entry SAC Bonds is required under this Indenture, the Indenture Trustee, the Servicer and the Paying Agent, as applicable, shall make all such payments to, and give all such notices and communications specified herein to be given to the Holders, to the Clearing Agency.

SECTION 2.13. Definitive SAC 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, the Holders holding SAC Bonds aggregating not less than a majority of the aggregate Outstanding Amount of SAC Bonds maintained as Book-Entry SAC 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 SAC Bonds to the Holders requesting the same. Upon surrender to the Indenture Trustee of the Global SAC 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 SAC Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the SAC 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 SAC Bonds, the Indenture Trustee shall recognize the Holders of the Definitive SAC Bonds as the Holders hereunder without need for any consent or acknowledgement from the Holders.

Definitive SAC Bonds will be transferable and exchangeable at the offices of the SAC Bonds Registrar. With respect to any transfer of such listed SAC Bonds, the new Definitive SAC 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 SAC 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 SAC Bonds and that reliance may be placed only on the other identification numbers printed on the SAC Bonds. The Issuer shall promptly notify the Indenture Trustee in writing of any change in the CUSIP number with respect to any SAC Bond.

SECTION 2.15. Letter of Representations. 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 SAC Bond, by acquiring any SAC Bond or interest therein, (a) express their intention that, solely for the purposes of U.S. 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 SAC Bonds qualify under applicable tax law as indebtedness of the Member secured by the SAC Bond Collateral and (b) solely for the purposes of U.S. 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 SAC Bonds are outstanding, agree to treat the SAC Bonds as indebtedness of the Member secured by the SAC Bond Collateral unless otherwise required by appropriate taxing authorities.

SECTION 2.17. State Pledge.

(a) Under the laws of the Commonwealth of Virginia in effect on the Closing Date, pursuant to Va. Code § 56-249.8:K.1, the Commonwealth of Virginia and its agencies, including the Commission, have pledged to and agree with the Holders, the owners of the SAC Property, and other financing parties, that the Commonwealth of Virginia and its agencies, including the Commission, will not (i) alter the provisions of the Securitization Law that (A) authorizes the Commission to create an irrevocable contract right or chose in action by the issuance of the Financing Order, to create SAC Property, or (B) create the SAC Charges imposed by the Financing Order, which are irrevocable, binding, or nonbypassable charges; (ii) take or permit any action that impairs or would impair the value of SAC Property or the security for the SAC Bonds or revises the Securitized Asset Costs for which recovery is authorized; or (iii) in any way impair the rights and remedies of the Holders, assignees, or other financing parties.

(b) Each SAC Bond shall state: "NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THIS BOND."

(c) The Issuer hereby acknowledges that the purchase of any SAC Bond by a Holder or the purchase of any beneficial interest in a SAC Bond by any Person and the Indenture Trustee's obligations to perform hereunder are made in reliance on such agreement and pledge by the Commonwealth of Virginia.

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 SAC 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 SAC 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 SAC 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 SAC 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 SAC 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 SAC Bond Collateral free and clear of any Lien, claim or encumbrance of any Person other than any Lien created by the Issuer under the Basic Documents in favor of the Indenture Trustee for the benefit of the Secured Parties in accordance with the Securitization Law;

(e) all of the SAC Bond Collateral constitutes either SAC Property or accounts, deposit accounts, investment property or general intangibles (as each such term is defined in the UCC) except that proceeds of the SAC 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 SAC 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 SAC 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 SAC 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) (i) the Collection Account (including all subaccounts thereof, other than the Cash Subaccounts) constitutes a “securities account” within the meaning of the UCC and (ii) each 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 each Cash Subaccount to comply with entitlement orders or instructions of any Person other than the Indenture Trustee; and

(l) all of the SAC 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 the SAC Bonds, shall be deemed re-made on each date on which any funds in the Collection Account are distributed to Issuer as provided in [Section 8.04](#) or otherwise released from the Lien granted pursuant to this Indenture and the Series Supplement 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 SAC 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 SAC Bonds and this Indenture; provided that except on a Final Maturity Date or upon the acceleration of the SAC Bonds following the occurrence of an Event of Default, the Issuer shall only be obligated to pay the principal of the SAC 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, the Treasury Regulations promulgated thereunder 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 SAC 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 above in this Section 3.02. 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 Corporate Trust Office of the Indenture Trustee, 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.

(a) As provided in Section 8.02(a), all payments of amounts due and payable with respect to any SAC 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 SAC Bonds shall be paid over to the Issuer except as provided in this Section 3.03 and Section 8.02.

(b) 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 SAC 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 (unless the Indenture Trustee is the Paying Agent) 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 SAC 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 SAC 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, the Treasury Regulations promulgated thereunder and other tax laws with respect to the withholding from any payments made by it on any SAC Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

(c) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or 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.

(d) Subject to applicable laws with respect to escheatment 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 SAC 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 upon receipt of an Issuer Request; and, subject to Section 10.16, the Holder of such SAC 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 written direction and expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to the 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 SAC Bonds, the SAC Bond Collateral and each other instrument or agreement referenced herein or therein.

SECTION 3.05. Protection of SAC Bond Collateral. The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and all filings with the Commission or the 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:

- (a) maintain or preserve the Lien and security interest (and the priority thereof) granted pursuant to this Indenture and the Series Supplement or carry out more effectively the purposes hereof;
- (b) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;
- (c) enforce any of the SAC Bond Collateral;
- (d) preserve and defend title to the SAC Bond Collateral and the rights of the Indenture Trustee and the Holders in the SAC 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, the SAC Property or any Proceeding relating thereto and institute any action or proceeding necessary to compel performance by the Commission or the Commonwealth of Virginia of any of its obligations or duties under the Securitization Law, the State Pledge, or the Financing Order, as the case may be; and
- (e) pay any and all taxes levied or assessed upon all or any part of the SAC 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 Commission or the 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 SAC Bond Collateral, including, without limitation, financing statements that describe the SAC Bond Collateral as “all assets” or “all personal property” of the Issuer.

SECTION 3.06. Opinions as to SAC 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 Commission or the 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 first priority perfected security interest created by this Indenture and the Series Supplement 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 UCC describing any Lien that is equal or prior to the Lien of the Indenture Trustee in the SAC Collateral, and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make effective such Lien and security interest.

(b) No later than March 31 of each calendar year (beginning with the calendar year beginning January 1, 2027), 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 re-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 Commission or the 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 first priority 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 re-filing of this Indenture, any indentures supplemental hereto and any other requisite documents and the execution and filing of any filings with the Commission or the 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 first priority 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 Commission or the Secretary of State pursuant to the Securitization Law or the Financing Order, have been executed and filed that are necessary fully to preserve and protect the Lien and security interest of the Issuer and the Indenture Trustee in the SAC Property and the SAC 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 preserve and protect 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 SAC 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 SAC Bond Collateral, including filing or causing to be filed all filings with the Commission or the 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 SAC Property, the SAC Bond Collateral or the SAC 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 SAC Bonds and subject to the terms of the Intercreditor Agreement, appoint a successor Servicer (the "Successor Servicer") with the Issuer's prior written consent thereto (which shall not be unreasonably withheld), 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 and the Intercreditor Agreement relating to a Successor Servicer. 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 Commission or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, the outgoing Servicer 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 of such termination. 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 (which for this purpose may be the website of any direct or indirect parent company of the Issuer) 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 SAC 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 SAC 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 each Payment Date (to be included on the next Form 10-D or Form 10-K, or successor forms thereto) and as of the end of each year (to be included on the next Form 10-K filed);

(iv) a statement showing the balance of Outstanding SAC Bonds that reflects the actual periodic payments made on the SAC 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 SAC Bonds (to be filed or furnished in a Form 8-K); and

(x) any reports and other information that the Issuer is required to file with the SEC under the Exchange Act including periodic and current reports related to the SAC Bonds consistent with the disclosure and reporting regime established in Regulation AB.

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. Any such reports or information delivered to the Indenture Trustee for purposes of this Section 3.07(g) is for informational purposes only, and the Indenture Trustee's receipt of such reports or information shall not constitute actual or 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 conclusively rely on an Officer's Certificate of the Issuer).

The address of the Indenture Trustee's website for investors is <https://pivot.usbank.com>. The Indenture Trustee shall promptly notify the Issuer, the Holders 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 SAC 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 SAC Bonds are Outstanding, the Issuer shall not:

(a) 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 SAC Bond Collateral, unless in accordance with Article V;

(b) claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the SAC Bonds (other than amounts properly withheld from such payments under the Code, the Treasury regulations promulgated thereunder 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 SAC Bond Collateral;

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

(d) (i) 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 SAC Bonds under this Indenture except as may be expressly permitted hereby, (ii) 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 SAC 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 (iii) permit the Lien granted pursuant to this Indenture and the Series Supplement not to constitute a valid first priority perfected security interest in the SAC Bond Collateral;

(e) elect to be classified as an association taxable as a corporation for U.S. 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 U.S. federal income tax purposes and, to the extent consistent with applicable State tax law, State income and franchise tax purposes, as a disregarded entity that is not separate from the sole owner of the Issuer;

(f) change its name, identity or structure or the location of its chief executive office or jurisdiction of formation, 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 granted pursuant to this Indenture and the Series Supplement;

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

(h) 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

(i) issue any "securitized asset cost bonds" under, and as defined in, the Securitization Law (other than the SAC Bonds) or issue or incur any other debt obligations.

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, 2027), an Officer's Certificate stating, as to the Responsible Officer signing such Officer's Certificate, that:

(a) 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

(b) 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 APCo, 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 APCo 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 U.S. federal or State income tax consequence to the Issuer, APCo, the Indenture Trustee or the then-existing Holders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the SAC 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 and 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 SAC 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 the 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 SAC 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 SAC 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 APCo, 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 APCo 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 disposition will not result in a material adverse federal or State income tax consequence to the Issuer, APCo, the Indenture Trustee or the then-existing Holders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the SAC 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 SAC Bonds and the SAC 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, administering, managing and servicing the SAC Property and the other SAC Bond Collateral and the issuance of the SAC 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 SAC 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 SAC Property from the Seller on the 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 Commission 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 SAC Bond Collateral.

SECTION 3.20. 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 hold, and shall cause its representatives to hold, in confidence all such information except to the extent disclosure may be required by applicable 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 3.20 or (v) to any Rating Agency or (c) any other disclosure authorized by the Issuer.

SECTION 3.21. Economic Sanctions.

(a) The Issuer covenants and represents that neither it nor any of its subsidiaries, managers, officers or affiliates they control are the target or subject of any sanctions enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State), the United Nations Security Council, the European Union, His Majesty's Treasury, or other relevant sanctions authority (collectively "Sanctions").

(b) The Issuer covenants and represents that neither it nor any of its subsidiaries, managers, officers or affiliates they control will directly or indirectly use any payments made pursuant to this Indenture or any of the other Basic Documents, (i) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business with any country or territory that is the target or subject of Sanctions, or (iii) in any other manner that will result in a violation of Sanctions by any person.

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 APCo 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 the Holders of a majority of the Outstanding Amount of the SAC Bonds of all Tranches affected thereby shall, exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, APCo, 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, APCo, 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), the Administration Agreement, the Sale Agreement, the Intercreditor Agreement and the Servicing Agreement may be amended in accordance with the provisions thereof (including, if applicable, 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 SAC 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 nationally recognized external counsel of the Issuer, and such amendment shall not materially and adversely affect the interest of any Holder, as evidenced by an Officer's Certificate of the Administrator, Seller, Issuer or Servicer, as applicable.

(d) Except as set forth in Section 3.22(e), if the Issuer, the Seller, APCo, 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, APCo, 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 SAC 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 in writing and the Indenture Trustee shall notify the Holders of the SAC 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 SAC Bonds of the Tranches materially and adversely affected thereby (provided that, in order to determine which Holders are materially and adversely affected, the Indenture Trustee may rely upon an Officer's Certificate of the Issuer). 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 materially amend, modify, waive, supplement, terminate or surrender, or to agree to any material amendment, modification, supplement, termination, waiver or surrender of, the process for True-Up Adjustments, the Issuer shall notify the Indenture Trustee in writing and the Indenture Trustee shall notify the Holders of the SAC Bonds of such proposal and the Indenture Trustee shall consent thereto only with the prior written consent of the Holders of a majority of the Outstanding Amount of SAC 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 APCo or any successor to APCo 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, 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, 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.

(g) 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 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 SAC 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 SAC 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.

SECTION 3.24. Notices from Holders. The Issuer shall promptly transmit any notice received by it from the Holders to the Indenture Trustee.

SECTION 3.25. Volcker Rule. The Issuer is structured so as not to be a “covered fund” under the regulations adopted to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the “Volcker Rule.”

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 SAC 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 SAC Bonds, when:

(i) either

(A) all SAC Bonds theretofore authenticated and delivered (other than (1) SAC Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (2) SAC 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 Section 3.03(d)) have been delivered to the Indenture Trustee for cancellation; or

(B) either (1) the Scheduled Final Payment Date has occurred with respect to all SAC Bonds not theretofore delivered to the Indenture Trustee for cancellation or (2) the SAC 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 (x) cash and/or (y) 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 SAC Bonds not theretofore delivered to the Indenture Trustee for cancellation, other Ongoing Financing Costs and all other sums payable hereunder by the Issuer with respect to the SAC Bonds when scheduled to be paid and to discharge the entire indebtedness on the SAC 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 the SAC 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 SAC 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(c) ("Covenant Defeasance Option") with respect to SAC Bonds. The Issuer may exercise the Legal Defeasance Option with respect to the SAC Bonds notwithstanding its prior exercise of the Covenant Defeasance Option.

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

Upon satisfaction of the conditions set forth herein to the exercise of the Legal Defeasance Option or the Covenant Defeasance Option with respect to SAC 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 SAC Bonds, (iii) rights of the 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 the 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). Thereafter the obligations, rights, indemnities and immunities 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 the SAC 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 SAC Bonds not therefore delivered to the Indenture Trustee for cancellation and other Ongoing Financing Costs and all other sums payable hereunder by the Issuer with respect to the SAC Bonds when scheduled to be paid and to discharge the entire indebtedness on the SAC 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 SAC Bonds (i) principal in accordance with the Expected Sinking Fund Schedule therefor, (ii) interest when due and (iii) all other sums payable hereunder by the Issuer with respect to the SAC 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(e) or (f) 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 U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the SAC Bonds will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. 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 SAC Bonds will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. 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, each stating that all conditions precedent to the Legal Defeasance Option or the Covenant Defeasance Option, as applicable, have been complied with as required by this Article IV;

(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 APCo (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 APCo (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations); and (ii) in the event APCo (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 APCo (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 APCo 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 SAC 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 SAC 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 SAC 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 SAC 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 SAC Bonds shall, upon written 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):

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

(b) default in the payment of the then unpaid principal of any SAC Bond of any Tranche on the Final Maturity Date for such Tranche;

(c) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than defaults specified in Section 5.01(a) or (b) above), and such default shall continue or not be cured, for a period of thirty (30) days after the earlier of (i) 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 twenty-five (25) percent of the Outstanding Amount of the SAC 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 (ii) the date that the Issuer has actual knowledge of the default;

(d) any representation or warranty of the Issuer made in this Indenture or the Series Supplement, or in any certificate or other writing delivered pursuant hereto or the Series Supplement 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 representation or warranty was incorrect shall not have been eliminated or otherwise cured, within thirty (30) days after the earlier of (i) 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 twenty-five (25) percent of the Outstanding Amount of the SAC 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 (ii) the date the Issuer has actual knowledge of the default,

(e) 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 SAC Bond Collateral in an involuntary case or proceeding under any applicable U.S. 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 SAC 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;

(f) the commencement by the Issuer of a voluntary case under any applicable U.S. 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 SAC 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

(g) any act or failure to act by the Commonwealth of Virginia or any of its agencies (including the Commission), officers or employees which violates or is not in material 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 Section 5.01(a), (b), (f) or (g) or (II) which with the giving of notice, the lapse of time, or both, would become an Event of Default under Section 5.01(c), (d) or (e), 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 Section 5.01(g)) 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 SAC Bonds may declare the SAC Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee if given by the Holders), and upon any such declaration the unpaid principal amount of the SAC 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 SAC Bonds, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

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

(i) all payments of principal of and premium, if any, and interest on all SAC 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 SAC Bonds if the Event of Default giving rise to such acceleration had not occurred and was not continuing;

(ii) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, indemnities, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; provided that the Indenture Trustee shall not be obligated to pay or advance any sums from its own funds if an Event of Default has occurred and is continuing; and

(b) all Events of Default, other than the nonpayment of the principal of the SAC 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(a) or (b) 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 SAC Bonds and collect in the manner provided by applicable law out of the property of the Issuer or other obligor upon the SAC Bonds, wherever situated the moneys payable, or the SAC Bond Collateral and the proceeds thereof, the whole amount then due and payable on the SAC 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 SAC 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 an Event of Default under Section 5.01(g)) occurs and is continuing, the Indenture Trustee (subject to Section 5.11) 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 applicable law, including foreclosing or otherwise enforcing the Lien of the SAC Bond Collateral securing the SAC Bonds or applying to a court of competent jurisdiction for sequestration of revenues arising with respect to the SAC Property.

(c) If an Event of Default under Section 5.01(e) or (f) has occurred and is continuing, the Indenture Trustee, irrespective of whether the principal of any SAC 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 SAC 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;

(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 Proceeding relative to the Issuer, its creditors and its property; and

(v) 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 SAC 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 SAC Bonds, may be enforced by the Indenture Trustee without the possession of any of the SAC 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 SAC 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 SAC 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 Section 5.01(g)) 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 SAC 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 SAC Bonds;
- (ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the SAC 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 SAC Bonds;
- (iv) at the written direction of the Holders of a majority of the Outstanding Amount of the SAC Bonds, sell the SAC 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 applicable law, or elect that the Issuer maintain possession of all or a portion of the SAC Bond Collateral pursuant to Section 5.05 and continue to apply the SAC 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 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 SAC Bond Collateral following such an Event of Default, other than an Event of Default described in Section 5.01(a) or (b), unless (A) the Holders of one-hundred (100) percent of the Outstanding Amount of the SAC 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 SAC 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 SAC Bond Collateral will not continue to provide sufficient funds for all payments on the SAC Bonds as they would have become due if the SAC Bonds had not been declared due and payable, and the Indenture Trustee obtains the written consent of the Holders of at least two thirds (2/3) of the Outstanding Amount of the SAC Bonds. In determining such sufficiency or insufficiency with respect to clauses (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 SAC Bond Collateral for such purpose.

(b) If an Event of Default under Section 5.01(g) 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(g).

(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 SAC Bond Collateral. If the SAC 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 SAC 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 SAC Bonds, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the SAC Bond Collateral. In determining whether to maintain possession of the SAC 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 SAC Bond Collateral for such purpose.

SECTION 5.06. Limitation of Suits. No Holder of any SAC 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 SAC Bond Collateral or otherwise enforce the Lien and the security interest on the SAC 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:

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

(b) the Holders of not less than a majority of the Outstanding Amount of the SAC 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;

(c) such Holder or the 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;

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

(e) 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 SAC Bonds;

it being understood and intended that no one or more of the 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 the Holders, each representing less than a majority of the Outstanding Amount of the SAC 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 the Holders To Receive Principal, Premium, if any, and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any SAC Bond shall have the right, which is absolute and unconditional, (a) to receive payment of (i) the interest, if any, on such SAC Bond on the due dates thereof expressed in such SAC Bond or in this Indenture or (ii) the unpaid principal, if any, of the SAC 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 applicable 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 applicable 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 the Holders. The Holders of not less than a majority of the Outstanding Amount of the SAC 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 SAC 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 applicable law or with this Indenture or the applicable Series Supplement 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 SAC Bond Collateral shall be by the Holders representing not less than one-hundred (100) percent of the Outstanding Amount of the SAC Bonds;

(iii) if the conditions set forth in Section 5.05 have been satisfied and the Indenture Trustee elects to retain the SAC Bond Collateral pursuant to Section 5.05, then any direction to the Indenture Trustee by the Holders representing less than one-hundred (100) percent of the Outstanding Amount of the SAC Bonds to sell or liquidate the SAC 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 SAC Bonds as provided in Section 5.02, the Holders representing not less than a majority of the Outstanding Amount of the SAC Bonds of an affected Tranche, by notice to the Indenture Trustee, 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 SAC Bonds or (b) in respect of a covenant or provision hereof that cannot be modified or amended without the consent of the Holder of each SAC 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 SAC 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 the Holders, in each case holding in the aggregate more than ten (10) percent of the Outstanding Amount of the SAC Bonds or (c) any suit instituted by any Holder for the enforcement of the payment of (i) interest on any SAC Bond on or after the due dates expressed in such SAC Bond and in this Indenture or (ii) the unpaid principal, if any, of any SAC 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 SAC Bonds. The Indenture Trustee's right to seek and recover judgment on the SAC 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 SAC 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 (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

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

(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 Section 6.01(a), (b) and (c).

(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 applicable law or the terms of this Indenture, the Sale Agreement, the Servicing Agreement, the Administration Agreement 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 SAC Bond Registrar hereunder, the protections of this Article VI shall also be afforded to the Indenture Trustee in its capacity as Paying Agent or SAC Bond Registrar.

(j) Except for the express duties of the Indenture Trustee with respect to the administrative functions set forth in the Basic Documents, the Indenture Trustee shall have no obligation to administer, service or collect SAC Property or to maintain, monitor or otherwise supervise the administration, servicing or collection of the SAC 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 SAC 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, 2027, on or before March 15th of each fiscal year ending December 31, so long as the Issuer is required to file Exchange Act reports, 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) of this Section 6.01(l).

(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 this 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 as a result of 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 constitute notice of any information contained therein or determinable therefrom, including but not limited to a party's compliance with covenants under the Indenture.

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 SAC 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 SAC 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) Except as otherwise expressly provided herein, 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 Holders pursuant to the provisions of this Indenture and the Series Supplement or otherwise, unless it is requested to do so by Holders of not less than 25% of the Outstanding Amount of the Bonds and it shall have received security or indemnity reasonably satisfactory against the costs, expenses and liabilities which may be incurred therein by the Indenture Trustee.

(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 Servicer Default, 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).

(i) Any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or an Issuer Order.

(j) Whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate.

(k) The Indenture Trustee shall not be responsible for (i) the validity of the title of the Issuer to the SAC Bond Collateral, (ii) insuring the SAC Bond Collateral or (iii) the payment of taxes, charges, assessments or Liens upon the SAC Bond Collateral or otherwise as to the maintenance of the SAC Bond Collateral.

(l) The Indenture Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Indenture or any of the other Basic Documents.

(m) The Indenture Trustee shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any security interest in the SAC Bond Collateral.

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 SAC 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, SAC 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 SAC Bonds, it shall not be accountable for the Issuer's use of the proceeds from the SAC Bonds, and it shall not be responsible for any statement of the Issuer in this Indenture or in any document issued in connection with the sale of the SAC Bonds or in the SAC 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 SAC Bond Collateral, or for or in respect of the SAC Bonds (other than the certificate of authentication for the SAC 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. 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 deliver to the Commission, each Rating Agency and each Holder notice of the Default within ten (10) Business Days after such notice of such Default was received by 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 SAC Bonds). Except in the case of a Default in payment of principal of and premium, if any, or interest on any SAC 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 the Holders and the Default is likely to be cured and therefore that withholding the notice is in the interests of the Holders. Except for an Event of Default under Section 5.01(a) or (b) in no event shall the Indenture Trustee be deemed to have knowledge of a Default unless a Responsible Officer of the Indenture Trustee shall have actual knowledge of a Default or shall have received written notice thereof.

SECTION 6.06. Reports by Indenture Trustee to the Holders.

(a) So long as SAC Bonds are Outstanding and the Indenture Trustee is the SAC 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, the Indenture Trustee 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 U.S. federal income and any applicable local or State tax returns. If the SAC Bond Registrar and Paying Agent is other than the Indenture Trustee, such SAC 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 U.S. 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 or make available electronically to each Holder of the SAC 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 SAC 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 the Holders allocable to principal, if any;
- (ii) the amount of the payment to the Holders allocable to interest;
- (iii) the aggregate Outstanding Amount of the SAC Bonds, before and after giving effect to any payments allocated to principal reported under Section 6.06(b)(i) above;

(iv) the difference, if any, between the amount specified in Section(b)(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.

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 applicable 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 the Indenture Trustee 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 other 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. Notwithstanding the foregoing or any other provisions of this Indenture, 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(e) or (f) with respect to the Issuer, the expenses are intended to constitute expenses of administration under the Bankruptcy Code or any other applicable U.S. 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 Section 6.08(c) below. The Holders of a majority of the Outstanding Amount of the SAC 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 as 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 or Securities Intermediary gives notice of resignation or is removed or if a vacancy exists in the office of Indenture Trustee or Securities Intermediary for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee and the Securities Intermediary in such event being referred to herein as the retiring Securities Intermediary), the Issuer shall promptly appoint a successor Indenture Trustee or a successor Securities Intermediary, as the case may be.

(c) Each of the successor Indenture Trustee and the successor Securities Intermediary, as the case may be, shall deliver a written acceptance of its appointment as the Indenture Trustee or as the Securities Intermediary, as applicable, to the retiring Indenture Trustee and the retiring Securities Intermediary, as applicable, and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee or the retiring Securities Intermediary, as the case may be, shall become effective, and the successor Indenture Trustee or the successor Securities Intermediary, as applicable, shall have all the rights, powers and duties of the Indenture Trustee and Securities Intermediary, as applicable, under this Indenture, the Intercreditor Agreement and the other Basic Documents. 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 the Holders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

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

(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 or the Securities Intermediary pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the retiring Indenture Trustee and the retiring Securities Intermediary.

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 SAC 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 SAC Bonds so authenticated; and in case at that time any of the SAC Bonds shall not have been authenticated, any successor to the Indenture Trustee may authenticate the SAC 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 SAC 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 SAC 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 SAC 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 SAC 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 the 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 Commission by the Indenture Trustee.

(b) Every separate trustee and co-trustee shall, to the extent permitted by applicable 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 applicable 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 SAC 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 applicable 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 applicable 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 or long-term issuer 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 and Securities Intermediary. Each of the Indenture Trustee and the Securities Intermediary hereby represents and warrants as of the date hereof that:

(a) it is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America;

(b) it has full power, authority and legal right to execute, deliver and perform its obligations under this Indenture and the other Basic Documents to which it is a party and has taken all necessary action to authorize the execution, delivery, and performance of obligations by it of this Indenture and such other 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 it in connection with the execution, delivery or performance by it of this Indenture and the other Basic Documents to which it 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 written 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 SAC Bond Collateral. The Indenture Trustee shall hold such of the SAC 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 SAC 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 (including cash) 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 (including cash) 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 SAC 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 (2) 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 SAC Bond Collateral through an agent or a nominee.

SECTION 6.16. FATCA. The Issuer agrees (i) to provide the Indenture Trustee with such reasonable information as it has in its possession to enable the Indenture Trustee to determine whether any payments pursuant to the Indenture are subject to the withholding requirements described in Section 1471(b) of the Internal Revenue Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code and any regulations, or agreements thereunder or official interpretations thereof (“Applicable FATCA Law”), and (ii) that the Indenture Trustee shall be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with Applicable FATCA Law, for which the Indenture Trustee shall not have any liability.

SECTION 6.17. Related Parties. It is expressly acknowledged, agreed and consented to that U.S. Bank National Association will be acting in the capacity of Securities Intermediary and its affiliate, U.S. Bank Trust Company, National Association will be acting in the capacities of Indenture Trustee, SAC Bond Registrar, Paying Agent hereunder and in such other roles as are assigned to them under the Basic Documents. Each of U.S. Bank National Association and U.S. Bank Trust Company, National Association, may in such multiple capacities, discharge its separate functions fully, without hindrance or regard to conflict of interest principles, duty of loyalty principles or other equitable principles to the extent that any such conflict arises from the performance by it of its express duties set forth in this Indenture or any other Basic Document, in any such capacities, all of which defenses, claims or assertions based on the foregoing are hereby expressly waived by the Issuer and the Holders and any other Person having rights pursuant to hereto or thereto; provided, in no event shall this Section 6.17 exculpate either U.S. Bank National Association or U.S. Bank Trust Company, National Association, in the case of its own willful misconduct, negligence or bad faith.

ARTICLE VII HOLDERS' LISTS AND REPORTS

SECTION 7.01. Issuer To Furnish Indenture Trustee Names and Addresses of the 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 Holders as of such Record Date, and (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 SAC Bond Registrar, no such list shall be required to be furnished.

SECTION 7.02. Preservation of Information; Communications to the 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 the Holders received by the Indenture Trustee in its capacity as SAC Bond Registrar. The Indenture Trustee may destroy any list furnished to it as provided in 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 SAC Bonds. In addition, upon the written request of any Holder or group of the Holders of Outstanding SAC Bonds evidencing not less than ten (10) percent of the Outstanding Amount of the SAC Bonds, the Indenture Trustee shall afford the Holder or the Holders making such request a copy of a current list of the Holders for purposes of communicating with other the Holders with respect to their rights hereunder; provided, that the Indenture Trustee gives prior written notice to the Issuer of such request.

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

(b) Except as may be provided by TIA § 313(c), the Issuer may fulfill its obligation to provide the materials described in Section 7.03(a) by providing such materials in electronic format, and the Issuer shall be deemed to have provided such materials to the Indenture Trustee if such materials are available on the SEC's EDGAR website (or any successor SEC website).

(c) 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).

(d) 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, 2027, the Indenture Trustee shall send to each Holder 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 if required to be so issued shall be delivered not more than twelve (12) months after the initial issuance of the SAC Bonds.

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

(a) Prior to the Closing Date, the Issuer shall open or cause to be opened with the Securities Intermediary, or at another Eligible Institution, one or more segregated trust accounts in the Indenture Trustee's name for the deposit of Estimated Collections, SAC Charge Collections and all other amounts received with respect to the SAC Bond Collateral (the "Collection Account"). The Securities Intermediary shall hold the Collection Account for the benefit of the Secured Parties and other Persons indemnified hereunder. Initially, the Collection Account shall be divided into three subaccounts, which need not be separate accounts: 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 subledger account (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 SAC 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 SAC 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 Return on Invested Capital) 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 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 Return on Invested Capital, shall be held by the Indenture Trustee in the Collection Account as part of the SAC 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 (other than investments on which the Indenture Trustee is an obligor).

(b) The Securities Intermediary hereby confirms and agrees that (i) the Collection Account (other than each Cash Subaccount) is, or at inception will be established as, and will at all times be maintained as, a “securities account” as such term is defined in Section 8-501(a) of the UCC, (ii) it is and will at all times be a “securities intermediary” (as such term is defined in Section 8-102(a) (14) of the UCC) and is and will at all times be acting in such capacity with respect to such accounts, (iii) the Indenture Trustee for the benefit of the Secured Parties is and will at all times be 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 shall 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 confirms and agrees that (i) 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) and (ii) 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 SAC Bond Collateral consisting of money in the applicable Cash Subaccount and the Securities Intermediary hereby confirms and agrees that each Cash Subaccount is and will at all times be maintained as a “deposit account” within the meaning of Section 9-102(a)(29) of the UCC. The Securities Intermediary further confirms and agrees 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 each Cash Subaccount without further consent of the Issuer or any other Person. The Securities Intermediary shall not change the name or account number of

the Collection Account or any subaccount thereof without the prior written consent of the Indenture Trustee and the Issuer. The Securities Intermediary shall not agree with any person or entity other than the Indenture Trustee that it will comply with entitlement orders or instructions originated by any person or entity other than the Indenture Trustee. Notwithstanding anything to the contrary, for purposes of the UCC, the State of New York shall be deemed to be the “securities intermediary’s jurisdiction” within the meaning of Section 8-110(e) of the UCC of the Securities Intermediary and the “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, and all other property credited to, 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) SAC Charge 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) payment of 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 provided, however that such cap shall be disregarded and inapplicable upon acceleration of the SAC Bonds under Section 5.02;

(ii) payment of 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) payment of the Administration Fee due on such Payment Date shall be paid to the Administrator and the Independent Manager Fee due on such Payment Date shall be paid to the Independent Managers, and in each case with any unpaid Administration Fees or Independent Manager Fees from prior Payment Dates;

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

(v) payment of 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 Bond Interest Rate), with respect to the SAC Bonds shall be paid to the Holders of SAC Bonds;

(vi) payment of principal due and payable on the SAC Bonds on any Final Maturity Date or pursuant to Section 5.02 upon an Event of Default shall be paid to the Holders of SAC Bonds;

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

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

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

(x) replenishment of 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) any Return on Invested Capital then due and payable shall be paid to APCo;

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

(xiii) after principal of and premium, if any, and interest on all SAC 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 SAC Bonds pursuant to Section 8.02(e)(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 SAC 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 SAC 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), in respect of any application of moneys pursuant to Section 8.02(e)(v) or (vi), moneys will be applied pursuant to Section 8.02(e)(v) and (vi), as the case may be, in such order, on a pro rata basis, based upon the interest or the principal owed.

(f) If on any Payment Date funds on deposit in the General Subaccount are insufficient to make the payments contemplated by Section 8.02(e)(i)-(ix) 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 Section 8.02(e)(i)-(ix). 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) On any Business Day upon which the Indenture Trustee receives a written request from the Administrator stating that any Operating Expense payable by the Issuer (but only as described in Section 8.02(e)(i)-(iv)) will become due and payable prior to the next Payment Date, and setting forth the amount and nature of such Operating Expense and the date such Operating Expense is due, as well as any supporting documentation that the Indenture Trustee may reasonably request, the Indenture Trustee, upon receipt of such information, will make payment of such Operating Expenses on or before the date such payment is due from amounts on deposit in the General Subaccount, the Excess Funds Subaccount and the Capital Subaccount, in that order and only to the extent required to make such payment.

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 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 SAC Bonds. 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 the 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, in which case such amounts shall remain uninvested.

(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. New York City 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 SAC Bonds but the SAC 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 Eligible Investments specified in the most recent written investment directions delivered by the Issuer to the Indenture Trustee; provided, that if the Issuer has never delivered written investment directions to the Indenture Trustee, 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; provided, however, that any such investment direction on behalf of the Issuer must be given in writing to the Indenture Trustee.

(e) Except as otherwise provided hereunder or agreed in writing among the parties hereto, the Issuer shall retain the authority to institute, participate and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Eligible Investments held hereunder, and, in general, to exercise each and every other power or right with respect to each such asset or investment as Persons generally have and enjoy with respect to their own assets and investment, including power to vote upon any Eligible Investments.

SECTION 8.04. Release of SAC Bond Collateral.

(a) So long as the Issuer is not in Default hereunder and no Default or Event of 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 part of the SAC Bond Collateral and be deposited to the General Subaccount promptly 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 part of the SAC 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 SAC Bonds Outstanding and all other Financing Costs are paid and full and all sums payable to the Indenture Trustee pursuant to Section 6.07 or otherwise have been paid, release any remaining portion of the SAC Bond Collateral that secured the SAC Bonds from the Lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credited to the Collection Account 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 SAC 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 SAC 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 (at the written direction of the Holders of a majority of the Outstanding Amount of the SAC Bonds) 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 SAC Bonds but with prior notice to the Rating Agencies, the Issuer and the Indenture Trustee, when authorized by an Issuer Order, 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 SAC 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 SAC 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 (A) such action shall not, as evidenced by an Officer's Certificate of the Issuer, adversely affect in any material respect the interests of the Holders of the SAC Bonds and (B) 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 SAC 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 SAC Bonds in the Series Supplement;

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

(x) to satisfy any Rating Agency requirements;

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

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

(xiii) to authorize the appointment of any Person for the SAC Bonds required or advisable with the listing of the SAC Bonds on any stock exchange and otherwise amend this Indenture to incorporate changes requested or required by any Governmental Authority, stock exchange authority or fiduciary for the SAC Bonds in connection with such listing.

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 SAC Bonds, 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 SAC 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 prior notice to the Rating Agencies and with the written consent of the Holders of not less than a majority of the Outstanding Amount of the SAC 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 SAC Bonds under this Indenture; provided, however, that no such supplemental

indenture shall, without the consent of the Holder of each Outstanding SAC 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 SAC 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 SAC Bond Collateral to payment of principal of or premium, if any, or interest on the SAC Bonds, or change any place of payment where, or the coin or currency in which, any SAC Bond or the interest thereon is payable;

(ii) reduce the percentage of the Outstanding Amount of the SAC 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 SAC Bonds required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the SAC 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 SAC 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 SAC Bond on any Payment Date (including the calculation of any of the individual components of such calculation) or change the Expected Amortization Schedule, Expected Sinking Fund Schedule or Final Maturity Date of any Tranche of SAC 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 SAC 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 SAC Bond of the security provided by the Lien of this Indenture;

(viii) cause any material adverse U.S. 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 SAC 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. Execution of Supplemental Indentures. In executing any supplemental indenture permitted by this Article IX or the modifications thereby of the SAC Bond Collateral, 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, if any, provided for in this Indenture relating to such supplemental indenture or modification have been satisfied. The Indenture Trustee and the Securities Intermediary may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's or the Securities Intermediary's own rights, duties, liabilities or immunities under this Indenture or otherwise. All fees, costs and expenses (including attorneys' fees and expenses) in connection with any such supplemental indenture shall be paid by the requesting party, provided, however, that any and all such fees, costs and expenses (including attorneys' fees and expenses) incurred by the Indenture Trustee shall be paid and/or reimbursed by the Issuer.

SECTION 9.04. 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 SAC 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 9.05. 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 9.06. Reference in SAC Bonds to Supplemental Indentures. SAC Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in a form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new SAC 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 SAC 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 the amendment is authorized and permitted and 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 SAC 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 SAC 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 Section 10.01(b)(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 Section 10.01(b)(i) and this Section 10.01(b)(ii), is ten percent or more of the Outstanding Amount of the SAC 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 SAC 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 Section 10.01(b)(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 Section 10.01(b)(iii) and this Section 10.01(b)(iv), equals ten (10) percent or more of the Outstanding Amount of the SAC 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 SAC Bonds.

(v) Notwithstanding any other provision of this Section 10.01, the Indenture Trustee may (A) collect, liquidate, sell or otherwise dispose of the SAC Property and the other SAC 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 Responsible 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 SAC Bonds shall be proved by the SAC Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any SAC Bonds shall bind the Holder of every SAC 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 SAC 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 email or other electronic 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 by email or other electronic transmission, first-class mail or overnight delivery service, to the Issuer addressed to: Appalachian Power Recovery Funding LLC at 1051 East Cary St., Suite 1100, Richmond, Virginia 23219, Attention: Managers, Telephone: (614) 716-1000, Email: Treasury_Operations_AEP@aep.com, 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 Commission by the Seller, the Issuer or the Indenture Trustee shall be sufficient for every purpose hereunder if in writing by email or other electronic transmission, first-class mail or overnight delivery service, to: to State Corporation Commission of the Commonwealth of Virginia, 1300 East Main Street, 10th Floor, Tyler Building, Richmond, Virginia 23219, Telephone: (804) 371-9733, Email: sccefile@scc.virginia.gov;

(b) Notices required to be given to the Rating Agencies by the Issuer or the Indenture Trustee shall be in writing, email or other electronic transmission, 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, 24th 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: abscomonitoring@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 the Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid, or otherwise delivered in accordance with DTC's procedures, to each Holder affected by such event, at such Holder's address as it appears on the SAC 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 the 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 the 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.

(a) 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 SAC Bonds or undertaking credit rating surveillance of the SAC 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.

(b) The Indenture Trustee will not be responsible for creating or maintaining the 17g-5 Website, posting any information to the 17g-5 Website or assuring that the 17g-5 Website complies with the requirements of this Indenture, Rule 17g-5 or any other law or regulation. In no event shall the Indenture Trustee be deemed to make any representation in respect of the content of the 17g-5 Website or compliance by the 17g-5 Website with this Indenture, Rule 17g-5 or any other law or regulation. The Indenture Trustee shall have no obligation to engage in or respond to any oral communications with respect to the transactions contemplated hereby, any transaction documents relating hereto or in any way relating to the SAC Bonds or for the purposes of determining the initial credit rating of the SAC Bonds or undertaking credit rating surveillance of the SAC Bonds with any Rating Agency or any of its respective officers, directors or employees.

The Indenture Trustee shall not be responsible or liable for the dissemination of any identification numbers or passwords for the 17g-5 Website, including by the Servicer, the Rating Agencies, a nationally recognized statistical rating organization (“NRSRO”), any of their respective agents or any other party. Additionally, the Indenture Trustee shall not be liable for the use of the information posted on the 17g-5 Website, whether by the Servicer, the Rating Agencies, an NRSRO or any other third party that may gain access to the 17g-5 Website or the information posted thereon.

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. 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. The Issuer, the Indenture Trustee and the Securities Intermediary agree that this Indenture may be electronically signed, that any digital or electronic signatures (including pdf, facsimile or electronically imaged signatures provided by DocuSign or any other digital signature provider as specified in writing to the Indenture Trustee) appearing on this Indenture are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Indenture may be made by facsimile, email or other electronic transmission.

SECTION 10.10. Successors and Assigns. All covenants and agreements in this Indenture and the SAC 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 10.11. Severability. Any provision in this Indenture or in the SAC 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 10.12. Benefits of Indenture. Nothing in this Indenture or in the SAC 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 SAC Bond Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 10.13. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provisions of the SAC 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 10.14. 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 SAC PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND THE HOLDERS WITH RESPECT TO THE SAC PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

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 may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee or, if requested by the Indenture Trustee 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. For the avoidance of doubt, the Indenture Trustee shall not be responsible or liable for recording 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 SAC Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (a) the Issuer, other than from the SAC Bond Collateral as specified in Section 10.17 below, (b) any owner of a membership interest in the Issuer (including APCo) or (c) 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 APCo) 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 SAC 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 SAC Bonds.

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

SECTION 10.18. Basic Documents. The Indenture Trustee is hereby authorized to execute and deliver the Intercreditor Agreement (or joinder thereto, as applicable) 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 “securitized asset cost bonds” (as defined in the Securitization Law) issued by Affiliates of APCo 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 SAC Bonds, or otherwise hereunder. Such request, if requested by the Indenture Trustee, 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 SAC 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 bankruptcy or 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 to U.S. Bank Trust Company, National Association, a national banking association, in its capacity as Indenture Trustee under this Indenture; provided that the Securities Intermediary shall comply with its obligations hereunder, including Section 8.02(b).

SECTION 10.21. Submission to Non-Exclusive Jurisdiction; Waiver of Jury Trial. Each of the Issuer and the Indenture Trustee and each Holder (by its acceptance of the SAC Bonds) hereby irrevocably submits to the non-exclusive jurisdiction of any New York State court sitting in The Borough of Manhattan in The City of New York or any U.S. federal court sitting in The Borough of Manhattan in The City of New York in respect of any suit, action or Proceeding arising out of or relating to this Indenture and the SAC Bonds and irrevocably accepts for itself and in

respect of its respective property, generally and unconditionally, jurisdiction of the aforesaid courts. EACH OF THE ISSUER, THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND EACH HOLDER (BY ITS ACCEPTANCE OF THE SAC BONDS) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY.

(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.

**APPALACHIAN POWER RECOVERY FUNDING
LLC, as Issuer**

By: /s/ Franz D. Messner

Name: Franz D. Messner

Title: Manager

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Indenture Trustee**

By: /s/ Matthew M. Smith

Name: Matthew M. Smith

Title: Vice President

**U.S. BANK NATIONAL ASSOCIATION, as Securities
Intermediary**

By: /s/ Matthew M. Smith

Name: Matthew M. Smith

Title: Vice President

*Signature Page to
Indenture*

EXHIBIT A
FORM OF SAC 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 DEPOSITARY 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 HEREON 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 SERIES 2026-A SENIOR SECURED SAC BOND, TRANCHE † - † (“THIS TRANCHE † - † SAC BOND”), WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS TRANCHE † - † SAC BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. THE HOLDER OF THIS SAC BOND HAS NO RECOURSE TO THE ISSUER HEREOF AND AGREES TO LOOK ONLY TO THE SAC BOND COLLATERAL, AS DESCRIBED IN THE INDENTURE, FOR PAYMENT OF ANY AMOUNTS DUE HEREUNDER. ALL OBLIGATIONS OF THE ISSUER OF THIS TRANCHE † - † SAC 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 † - † SAC 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 † - † SAC 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

EXHIBIT A

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. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THIS BOND.

APPALACHIAN POWER RECOVERY FUNDING LLC
SERIES 2026-A SENIOR SECURED SAC BONDS,
TRANCHE † - †.

INTEREST
RATE

ORIGINAL PRINCIPAL
AMOUNT

FINAL MATURITY
DATE

Appalachian Power Recovery 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 Bond 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 † - † SAC Bond (hereinafter referred to as this “Tranche † - † SAC Bond”). Interest on this Tranche † - † SAC 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 † - † SAC Bond shall be paid in the manner specified on the reverse hereof.

EXHIBIT A

The principal of and interest on this Tranche † - † SAC 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 † - † SAC Bond shall be applied first to interest due and payable on this Tranche † - † SAC Bond as provided above and then to the unpaid principal of and premium, if any, on this Tranche † - † SAC Bond, all in the manner set forth in the Indenture.

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

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual, electronic or facsimile signature, this Tranche † - † SAC 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, electronically or in facsimile, by its Responsible Officer.

Date: APPALACHIAN POWER RECOVERY FUNDING LLC

By: _____

Name:

Title:

EXHIBIT A

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: _____, _____

This is one of the Tranche \uparrow - \downarrow SAC Bonds, designated above and referred to in the within-mentioned Indenture.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Indenture Trustee

By: _____
Name:
Title:

EXHIBIT A

REVERSE OF SAC BOND *

This Tranche † - † SAC Bond is one of a duly authorized issue of SAC Bonds of the Issuer (herein called the “SAC Bonds”), issued and which SAC Bonds are issuable in one or more Tranches, and the SAC Bonds consists of † - † Tranches, including this Tranche † - † SAC Bond (herein called the “Tranche † - † SAC Bonds”), all issued and to be issued under that certain Indenture dated as of May 27, 2026, (as supplemented by the Series Supplement (as defined below), the “Indenture”), by and among the Issuer, U.S. Bank Trust Company, National Association, a national banking association, not in its individual capacity but solely in its capacity as indenture trustee (the “Indenture Trustee”, which term includes any successor indenture trustee under the Indenture), and U.S. Bank National Association, a national banking association, not in its individual capacity but solely in its capacity as securities intermediary and account bank (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 SAC Bonds. For purposes herein, “Series Supplement” means that certain Series Supplement dated as of May 27, 2026, among the Issuer, the Indenture Trustee and the Securities Intermediary. All terms used in this Tranche † - † SAC 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 † - † SAC Bonds, the other Tranches of SAC Bonds (all of such Tranches being referred to herein as “SAC Bonds”) are and will be equally and ratably secured by the SAC Bond Collateral pledged as security therefor as provided in the Indenture.

The principal of this Tranche † - † SAC 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 Sinking Fund 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 Holders representing not less than a majority of the Outstanding Amount of the SAC Bonds have declared the SAC 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 † - † SAC Bond shall be due and payable on the Final Maturity Date hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the SAC 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 SAC Bonds representing not less than a majority of the Outstanding Amount of the SAC Bonds have declared

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

the SAC 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 1 - 1 SAC Bonds shall be made pro rata to the Tranche 1 - 1 Holders entitled thereto based on the respective principal amounts of the Tranche 1 - 1 SAC Bonds held by them.

Payments of interest on this Tranche 1 - 1 SAC 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 1 - 1 SAC Bond (or one or more Predecessor SAC Bonds) on the SAC 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 1 - 1 SAC 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 SAC Bond evidencing this Tranche 1 - 1 SAC Bond unless and until such Global SAC Bond is exchanged for Definitive SAC 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 1 - 1 SAC Bond on a Payment Date which shall be payable as provided below. Any reduction in the principal amount of this Tranche 1 - 1 SAC Bond (or any one or more Predecessor SAC Bonds) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Tranche 1 - 1 SAC Bond and of any SAC 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 1 - 1 SAC 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 sent 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 1 - 1 SAC Bond and shall specify the place where this Tranche 1 - 1 SAC Bond may be presented and surrendered for payment of such installment.

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

This SAC Bond is a “securitized asset cost bond” as such term is defined in the Securitization Law. Principal and interest due and payable on this SAC Bond are payable from and secured primarily by SAC Property created and established by the Financing Order obtained from the State Corporation Commission of the Commonwealth of Virginia pursuant to the Securitization Law. SAC 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 “securitized asset cost charge”), to be included as a separate line item in regular electric utility bills of all existing and future Virginia electric service customers within the service territory of APCo, a Virginia electric utility, or its successors or assigns, as more fully described in the Financing Order.

EXHIBIT A

The Securitization Law provides that the Commonwealth of Virginia and its agencies, including the Commission, has pledged pursuant to Section 56-249.8:K. of the Securitization Law that it will not take any action to: (i) alter the provisions of the Securitization Law that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of the Financing Order, to create securitized asset cost property in the form of SAC Property, and to make the securitized asset cost charges imposed by the Financing Order in the form of the SAC Charges irrevocable, binding, or non-bypassable charges; (ii) take or permit any action that impairs or would impair the value of the SAC Property or the security for the SAC Bonds or revises the Securitized Asset Costs for which recovery is authorized; (iii) in any way impair the rights and remedies of the Bondholders, assignees, and other financing parties related thereto; or (iv) except as permitted as permitted by Section 56-249.8:K.1.d. of the Securitization Law, reduce, alter, or impair SAC Charges that are to be imposed, billed, charged, collected, and remitted for the benefit of such Bondholders, assignees, and financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related SAC Bonds have been paid and performed in full.

The Issuer and APCo hereby acknowledge that the purchase of this SAC 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 1 - 1 SAC Bond may be registered on the SAC Bond Register upon surrender of this Tranche 1 - 1 SAC 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 guarantee 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 signature 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 1 - 1 SAC 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 1 - 1 SAC 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 Holder, by acceptance of a SAC 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 SAC 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 APCo) 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 APCo) 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 SAC 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 SAC Bonds.

EXHIBIT A

Prior to the due presentment for registration of transfer of this Tranche 1 - 1 SAC 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 1 - 1 SAC 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 1 - 1 SAC Bond and for all other purposes whatsoever, whether or not this Tranche 1 - 1 SAC 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 SAC Bonds under the Indenture at any time by the Issuer with the written consent of the Holders representing not less than a majority of the Outstanding Amount of all SAC Bonds at the time outstanding and upon the satisfaction of the Rating Agency Condition (if applicable) of each Tranche to be affected. The Indenture also contains provisions permitting the Holders representing specified percentages of the Outstanding Amount of the SAC Bonds, on behalf of the Holders of all the SAC 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 1 - 1 SAC Bond (or any one of more Predecessor SAC Bonds) shall be conclusive and binding upon such Holder and upon all future Holders of this Tranche 1 - 1 SAC Bond and of any SAC 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 1 - 1 SAC 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 SAC Bonds issued thereunder.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Issuer on this Tranche 1 - 1 SAC 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 1 - 1 SAC Bond.

The term "Issuer" as used in this Tranche 1 - 1 SAC 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 Holders under the Indenture.

The Tranche 1 - 1 SAC 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.

EXHIBIT A

THIS TRANCHE † - † SAC 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 AND THE SERIES SUPPLEMENT IN SAC PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND THE HOLDERS WITH RESPECT TO THE SAC PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

No reference herein to the Indenture and no provision of this Tranche † - † SAC 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 † - † SAC 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 † - † SAC Bond, by acquiring any Tranche † - † SAC Bond or interest therein, (i) express their intention that, solely for the purpose of U.S. 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 † - † SAC Bonds qualify under applicable tax law as indebtedness of the sole owner of the Issuer secured by the SAC Bond Collateral and (ii) solely for purposes of U.S. 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 † - † SAC Bonds are outstanding, agree to treat the Tranche † - † SAC Bonds as indebtedness of the sole owner of the Issuer secured by the SAC Bond Collateral unless otherwise required by appropriate taxing authorities.

EXHIBIT A

ASSIGNMENT

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

FOR VALUE RECEIVED, the undersigned² hereby sells, assigns and transfers unto

(name and address of assignee)

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

Dated: _____

Signature Guaranteed:

² SAC 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 † - † SAC 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 signature guarantee program acceptable to the Indenture Trustee.

EXHIBIT A

Exhibit B

FORM OF SERIES SUPPLEMENT

This SERIES SUPPLEMENT dated as of [____] [__], 2026 (this “Supplement”), by and between Appalachian Power Recovery Funding LLC, a limited liability company created under the laws of the State of Delaware (the “Issuer”), U.S. Bank Trust Company, National Association, a national banking association (“Bank”), not in its individual capacity, but solely in its capacity as indenture trustee (the “Indenture Trustee”), and U.S. Bank National Association, a national banking association, not in its individual capacity, but solely in its capacity as securities intermediary and account bank (the “Securities Intermediary”), for the benefit of the Secured Parties under the Indenture dated as of May 27, 2026 (the “Indenture”), by and among the Issuer, the Indenture Trustee and the Securities Intermediary.

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 SAC Bonds and specifying the terms thereof. The Issuer has duly authorized the creation of the SAC Bonds with an initial aggregate principal amount of \$~~1~~ 1 to be known as Appalachian Power Recovery Funding LLC Series 2026-A Senior Secured SAC Bonds (the “SAC Bonds”), and the Issuer and the Indenture Trustee are executing and delivering this Supplement in order to provide for the SAC 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 SAC Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the SAC Bonds, all of the Issuer’s right, title and interest (whether now owned or hereafter acquired or arising) in and to the following (the “SAC Bond Collateral”):

(a) the SAC Property created under and pursuant to the Securitization Law and Financing Order, and transferred by the Seller to the Issuer on the date hereof pursuant to the Sale Agreement (including, to the fullest extent permitted by applicable law, the right to impose, bill, charge, collect and receive SAC Charges, the right to obtain periodic adjustments to the SAC Charges, and all revenues, receipts, collections, rights to payment, payments, moneys, claims or other proceeds arising from the rights and interests created under the Financing Order);

(b) all SAC Charges related to the SAC Property;

EXHIBIT B

(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 SAC Property and the SAC Bonds;

(d) the Servicing Agreement, the Intercreditor Agreement and Intercreditor Joinder, the Administration Agreement and any subservicing, agency, other intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the SAC Property and the SAC 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 periodic adjustments to the SAC Charges or Customer Classes in accordance with, as applicable, the Securitization Law, the Financing Order, the True-Up Adjustment Letter, the Non-Standard True-Up Adjustment Rider and the Securitization Financing Rider and any Securitization Financing Rider Adjustments filed in connection therewith;

(g) 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 SAC Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property;

(h) 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; and

(i) all payments on or under, and all proceeds in respect of, any or all of the foregoing;

provided that none of the following shall constitute any part of the SAC Bond Collateral:

(x) cash that has been released pursuant to Section 8.02(e)(xi) of the Indenture and, following retirement of all Outstanding SAC Bonds, cash that has been released pursuant to Section 8.02(e)(xiii) of the Indenture;

(y) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the SAC Bonds (together with any interest earnings thereon); or

(z) proceeds from the sale of the SAC Bonds required to pay (A) the purchase price for the SAC Property and paid pursuant to the Sale Agreement or (B) up-front Financing Costs;

it being understood that such amounts described in clauses (x), (y) and (z) above shall not be subject to Section 3.17 of the Indenture.

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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 SAC 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 SAC 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 SAC 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 SAC Bonds shall be designated generally as the SAC Bonds, and further denominated as Tranches ¶ ¶ through ¶ ¶.

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

<u>Tranche</u>	<u>Initial Principal Amount</u>	<u>Bond Interest Rate</u>	<u>Scheduled Final Payment Date</u>	<u>Final Maturity Date</u>
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The Bond Interest Rate shall be computed by the Issuer on the basis of a 360-day year of twelve 30-day months.

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

(a) Authentication Date. The SAC 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 SAC 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 ¶ ¶ SAC Bonds in full and the Final Maturity Date Tranche ¶ ¶ SAC Bonds.

(c) Expected Sinking Fund 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 SAC Bonds, until the Outstanding Amount of such Tranche of SAC Bonds thereof has been reduced to zero; (2) to the holders of the Tranche A-2 SAC Bonds, until the Outstanding Amount

EXHIBIT B

of such Tranche of SAC Bonds thereof has been reduced to zero; and (3) to the holders of the Tranche A-3 SAC Bonds, until the Outstanding Amount of such Tranche of SAC 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 SAC Bonds to the amount specified in the Expected Sinking Fund 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 SAC Bonds on each Payment Date in an amount equal to ~~one-half~~ of the product of (i) the applicable Bond Interest Rate and (ii) the Outstanding Amount of the related Tranche of SAC 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 SAC 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 SAC Bonds. The SAC Bonds shall be Book-Entry SAC Bonds and the applicable provisions of Section 2.11 of the Indenture shall apply to the SAC Bonds.

(f) Waterfall Caps. The amount payable with respect to the SAC Bonds pursuant to Section 8.02(e)(i) shall not exceed \$200,000 annually.

SECTION 4. Minimum Denominations. The SAC 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 SAC Bonds, the following definitions shall apply:

“Bond Interest Rate” has the meaning set forth in Section 2 of this Supplement.

“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.

“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 SAC Bonds; Form of the SAC Bonds. The Indenture Trustee shall deliver the SAC Bonds to the Issuer when authenticated in accordance with Section 2.03 of the Indenture. The SAC Bonds of each Tranche shall be in the form of Exhibits ~~A-1~~ through A-~~1~~ hereto.

EXHIBIT B

SECTION 7. Ratification of Indenture. 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 supplements the Indenture only in so far as it relates to the SAC 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. This Supplement may be electronically signed, and any digital or electronic signatures (including pdf, facsimile or electronically imaged signatures provided by DocuSign or any other digital signature provider as specified in writing to the Indenture Trustee) appearing on this Supplement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Supplement may be made by facsimile, email or other electronic transmission.

SECTION 9. GOVERNING LAW; JURISDICTION.

(A) 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 EXCEPT AS SET FORTH IN SECTION 8.02(B) OF THE INDENTURE, THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED UNDER THE INDENTURE AND THIS SUPPLEMENT IN SAC PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND THE HOLDERS WITH RESPECT TO THE SAC PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) SUBMISSION TO NON-EXCLUSIVE JURISDICTION. EACH OF THE ISSUER AND THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND EACH HOLDER (BY ITS ACCEPTANCE OF THE SAC BONDS) HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY U.S. FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENT AND THE SAC BONDS AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS RESPECTIVE PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. EACH OF THE ISSUER, THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND EACH HOLDER (BY ITS ACCEPTANCE OF THE SAC BONDS) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY.

EXHIBIT B

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 SAC 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 APCo) 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 APCo) 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 SAC 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 SAC Bonds.

SECTION 11. Indenture Trustee and Securities Intermediary. The Indenture Trustee and the Securities Intermediary shall be entitled to the same rights, protections, privileges and indemnities under this Supplement to which they are entitled under the Indenture.

EXHIBIT B

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

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as Issuer

By: _____
Name:
Title:

U.S. Bank Trust Company, National Association,
as Indenture Trustee

By: _____
Name:
Title:

U.S. Bank National Association,
as Securities Intermediary

By: _____
Name:
Title:

EXHIBIT B

SCHEDULE A

EXPECTED SINKING FUND SCHEDULE

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

DATE	TRANCHE	TRANCHE	TRANCHE	TRANCHE
Closing Date	\$	\$	\$	\$
_____, 20__				
_____, 20__				
_____, 20__				
_____, 20__				

EXHIBIT B

EXHIBIT C

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

<u>Reg AB Reference</u>	<u>Servicing Criteria</u>	<u>Applicable Indenture Trustee Responsibility</u>
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 the 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 (2) business days following 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 thirty (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 ninety (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 SEC maintained in accordance with the transaction agreements and applicable SEC 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 SEC 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

<u>Reg AB Reference</u>	<u>Servicing Criteria</u>	<u>Applicable Indenture Trustee Responsibility</u>
1122(d)(3)(iii)	Disbursements made to an investor are posted within two (2) 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 pool asset 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 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).	
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 Servicing Agreement, the Series Supplement, the Intercreditor Agreement 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(a) of the Indenture.

“Account Records” is defined in Section 1(a)(i) of the Administration Agreement.

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

“Actual SAC Charge Collections” means, with respect to SAC Charges in any Collection Period, the amount of such SAC Charges less the amounts held back to reflect potential write-offs calculated for such Collection Period.

“Administration Agreement” means the Administration Agreement, dated as of May 27, 2026, by and between the Administrator 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 APCo, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

“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.

“Annual Accountant’s Report” is defined in Section 3.04(a) of the Servicing Agreement.

“Annual Compliance Certificate” is defined in Section 3.03(a) of the Servicing Agreement.

“Annual True-Up Adjustment” means the required adjustment to the SAC Charges made pursuant to the terms of the Financing Order and in accordance with Section 4.01(b)(i) of the Servicing Agreement.

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“Annual True-Up Adjustment Date” means a date selected by the Servicer that is not more than twelve (12) months after the most recent application of the True-Up Adjustment.

“APCo” means Appalachian Power Company, a Virginia corporation, and any of its successors or permitted assigns.

“Applicable FATCA Law” is defined in Section 6.16 of the Indenture.

“Application” means the petition of Appalachian Power Company for a financing order to authorize the issuance of securitized asset cost bonds pursuant to § 56-249.8 of the Code of Virginia, Case No. PUR-2025-00116, filed by APCo with the Commission dated July 9, 2025, pursuant to the Securitization Law, or any subsequent similar Application of APCo.

“Bank” is defined in the preamble of the Series Supplement.

“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 (including the Intercreditor Joinder), the Series Supplement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

“Bill” means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by APCo on its own behalf and in its capacity as Servicer.

“Bill of Sale” means the Bill of Sale, dated as of May 27, 2026, by and between the Seller and the Issuer, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Billed SAC Charges” 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.

“Bond Interest Rate” means, with respect to any Tranche of SAC Bonds, the rate at which interest accrues on the SAC Bonds of such Tranche, as specified in the Series Supplement.

“Book-Entry Form” means, with respect to any SAC Bond, that such SAC 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 Securitized Bond was issued.

“Book-Entry SAC Bonds” means any SAC 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 SAC Bonds are to be issued to the Holder of such SAC Bonds, such SAC Bonds shall no longer be “Book-Entry SAC Bonds.”

“Budget Billing Plan” means a levelized payment plan offered by Servicer pursuant to which the related Customer’s invoice amount for each billing cycle is a constant amount (or approximately constant) irrespective of usage for the related billing cycle.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in Richmond, Virginia, 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 March 2027.

“Capital Contribution” means the amount of cash contributed to the Issuer by APCo as specified in the LLC Agreement.

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

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

“Certificate of Compliance” means the certificate referred to in Section 3.03(a) 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 November 12, 2025, 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 Date” means, May 27, 2026, the date on which the SAC Bonds are 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” is defined in Section 8.02(a) of the Indenture.

“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.

“Commission” means the State Corporation Commission of the Commonwealth of Virginia or any successor.

“Commission Regulations” means the rules and regulations promulgated by the Commission.

“Company Minutes” is defined in Section 1(a)(iv) of the Administration Agreement.

“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 SAC 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 / Appalachian Power Recovery Funding LLC, Telephone: (800) 934-6802, Email: matthew.smith2@usbank.com; melissa.rosal@usbank.com; maryann.turbak@usbank.com, and for registration of transfers of SAC Bonds, the office as of the Closing Date is located at 111 Fillmore Avenue East, 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 SAC 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.

“Customer” means all existing and future Commission-jurisdictional retail customers that receive electric service within APCo’s geographic service territory in the Commonwealth of Virginia that are subject to the SAC Charges.

“Customer Class” means the customer classes set forth in Appendix C to the Financing Order, and as such customer classes may be amended from time to time pursuant to the Non-Standard True-Up Adjustment.

“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 SAC Bonds” means SAC Bonds issued in definitive form in accordance with Section 2.13 of the Indenture.

“Depositor” means APCo, in its capacity as depositor of the SAC Property.

“DTC” means The Depository Trust Company or any successor thereto.

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“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 or an Affiliate thereof, so long as the Indenture Trustee or such Affiliate have (i) either a short-term deposit or issuer rating from Moody’s of at least “P-1” or a long-term unsecured debt or issuer rating from Moody’s of at least “A2”, and (ii) a short-term deposit or issuer rating from S&P of at least “A-1”, or a long-term unsecured debt or issuer rating from S&P of at least “A”; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank)

(i) that has either (A) a long-term unsecured debt or issuer rating of “AA-” or higher by S&P and “A2” or higher by Moody’s, or (B) a short-term (bank deposit) or issuer rating of “A-1” or higher by S&P and “P-1” or higher by Moody’s, and

(ii) whose deposits are insured by the Federal Deposit Insurance Corporation;

provided, however, that if an Eligible Institution then being utilized for any purposes under the Indenture or the Series Supplement no longer meets the definition of Eligible Institution, then the Issuer shall replace such Eligible Institution within sixty (60) days of such Eligible Institution no longer meeting the definition of Eligible Institution.

“Eligible Investments” means investments that meet the criteria described below and which mature on or before the Business Day immediately preceding the next Payment Date or Special Payment Date, if applicable:

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

(2) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of or bankers’ acceptances issued by, any depository institution (including bank deposit products of the Indenture Trustee or any of its Affiliates, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by U.S. 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 or contractual commitment, rated at least “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 SAC Bonds;

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(3) commercial paper (including commercial paper of the Indenture Trustee or any of its Affiliates, acting in its commercial capacity, and other commercial paper issued by APCo or any of its Affiliates), having, at the time of investment or contractual commitment to invest, a rating of at least “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 SAC Bonds;

(4) investments in money market funds which have a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its Affiliates acts as investment manager or advisor) from Moody’s and S&P;

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

(6) 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:

a. a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act, the unsecured short-term debt obligations of which are rated at least “P-1” by Moody’s and “A-1+” by S&P at the time of entering into such repurchase obligation; or

b. 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 S&P 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; or

(7) any other investment permitted by each Rating Agency;

Notwithstanding the foregoing: (a) no securities or investments which mature in 30 days or more will be Eligible Investments unless the issuer thereof has either a short-term unsecured debt rating of at least “P-1” from Moody’s or a long-term unsecured debt rating of at least “A1” from Moody’s; (b) no securities or investments described in clauses (2) through (4) above which have maturities of more than thirty (30) days but less than or equal to three (3) months will be Eligible Investments unless the issuer thereof has a long-term unsecured debt rating of at least “A1” from Moody’s and a short-term unsecured debt rating of at least “P-1” from Moody’s; (c) no securities or investments described in clauses (2) through (4) above which have maturities of more than three (3) months will be Eligible Investments unless the issuer thereof has a long-term unsecured debt rating of at least “A1” from Moody’s and a short-term unsecured debt rating of at least “P-1” from

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Moody's; (d) no securities or investments described in clauses (2) through (4) above which have a maturity of sixty (60) days or less will be Eligible Investments unless such securities have a rating from S&P of at least "A-1"; and (e) no securities or investments described in clauses (2) through (4) above which have a maturity of 365 days or less will be Eligible Investments unless such securities have a rating from S&P of at least "AA-", "A-1+" or "AAAm".

"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 SAC Charge Collections" means the sum of the payments in respect of SAC Charges which are deemed to have been received by the Servicer, directly or indirectly, 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 Collection Period, by which all Estimated SAC Charge Collections remitted to the Collection Account during such Collection Period exceed Actual Collections received by the Servicer during such Collection 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.

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“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 SAC 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 Costs” means all “financing costs” (as defined in Section 56-249.8(A) of the Securitization Law) recoverable under the Financing Order.

“Financing Order” means the Financing Order, dated November 24, 2025, issued by the Commission pursuant to the Securitization Law in Case No. PUR-2025-00116, authorizing the creation of the SAC Property.

“General Subaccount” is defined in Section 8.02(a) of the Indenture.

“Global SAC Bond” means a Securitized Bond to be issued to the Holders thereof in Book-Entry Form, which Global Securitized 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 SAC 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 SAC 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 SAC Bond is registered on the SAC Bond Register.

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“Indemnified Losses” is defined in Section 5.03 of the Servicing Agreement.

“Indemnified Person” is defined in Section 6.02(b) of the Servicing Agreement.

“Indenture” means the Indenture, dated as of May 27, 2026, by and among the Issuer, U.S. Bank Trust Company, National Association, a national banking association, as Indenture Trustee, and U.S. Bank National Association, a national banking association, 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 SAC Bonds established thereunder.

“Indenture Trustee” means U.S. Bank Trust Company, 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 SAC 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 7.03(a) of the LLC Agreement.

“Initial Payment Date” is defined in Section 3(b) of the Series Supplement.

“Initial Servicer” means APCo.

“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 Intercreditor Agreement, dated as of September 7, 2022, as amended and restated as of December 9, 2024, by and among AEP Credit, Inc., JPMorgan Chase Bank, N.A., as administrative agent and control agent, and the issuers, servicers and indenture trustees from time-to-time party thereto, as supplemented by the Intercreditor Joinder, as the same may be further amended, restated, supplemented or otherwise modified from time-to-time.

“Intercreditor Joinder” means the joinder to the Intercreditor Agreement, dated as of May 27, 2026, by and among AEP Credit Inc., JPMorgan Chase Bank, N.A., as administrative agent and control agent, APCo, the Issuer and the Indenture Trustee, as the same may be amended, restated, supplemented or otherwise modified from time-to-time.

“Interim True-Up Adjustment” means any adjustment (other than a Annual True-Up Adjustment or Semi-Annual or Quarterly True-Up Adjustment) to the SAC Charges made pursuant to the terms of the Financing Order and in accordance with Section 4.01(b)(iii) of the Servicing Agreement.

“Interim True-Up Adjustment Date” means any date, other than a Annual True-Up Adjustment Date or Semi-Annual or Quarterly True-Up Adjustment Date, on which the Servicer elects to apply the True-Up Mechanism to make an interim adjustment to the SAC Charges.

“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 Commission pursuant to the Securitization Law and the Financing Order with respect to the SAC Bonds.

“Issuer” means Appalachian Power Recovery 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 SAC Bonds.

Appendix A

“Issuer Documents” is defined in Section 1(a)(iv) of the Administration Agreement.

“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.

“Jurisdictional Successor” means, with respect to Servicer, a successor, whether by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all of the electric transmission and distribution business of the Servicer in the Commonwealth of Virginia (or, if transmission and distribution are not provided by a single entity, provides wire service directly to Customers).

“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 SAC 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, 6 Del. C. § 18-101 et seq., as amended from time to time.

“LLC Agreement” means the Amended and Restated Limited Liability Company Agreement of Appalachian Power Recovery Funding LLC, dated as of January 19, 2026, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Losses” means (a) any and all amounts of principal and interest on the SAC 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 (b) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

“Manager” means each manager of the Issuer under the LLC Agreement.

“Member” has the meaning specified in the first paragraph of the LLC Agreement.

“Membership Interest” is defined in Section 6.01 of the LLC Agreement.

Appendix A

“Minimum Denomination” means, with respect to any SAC Bond, the minimum denomination therefor specified in the Series Supplement, which minimum denomination shall be not less than \$100,000, except for one SAC Bond of each Tranche which may be of smaller denomination, and, except as otherwise provided in the Series Supplement, integral multiples of \$1,000 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 the adjustment to the Customer Classes made pursuant to the terms of the Financing Order and in accordance with Section 4.01(c) of the Servicing Agreement.

“Non-Standard True-Up Adjustment Effective Date” means the date specified in the Non-Standard True-Up Adjustment Rider for the effectiveness of the proposed Non-Standard True-Up Adjustment, which must be at least thirty (30) days after the date in which the Servicer filed the Non-Standard True-Up Adjustment Rider with the Commission.

“Non-Standard True-Up Adjustment Rider” means a letter setting forth (i) the proposed allocation of Customer Classes; (ii) the supporting data and analysis demonstrating the magnitude and expected duration of the load shift, which should be used to substantiate the occurrence of a Significant and Sustained Change; (iii) the resulting impact of the allocation of SAC Charges among Customer Classes; and (iv) the Non-Standard True-Up Effective Date.

“Notice of Default” is defined in Section 5.01(c) of the Indenture.

“NRSRO” is defined in Section 10.06(b) 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, with respect to any Person, a certificate signed by a Responsible Officer of such Person and, with respect to an Officer’s Certificate of the Issuer delivered to the Indenture Trustee under the Indenture, 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 a Basic Document to an Officer’s Certificate shall be to an Officer’s Certificate of any Responsible Officer of the party delivering such certificate.

“Ongoing Financing Costs” means the Financing Costs described as such in the Financing Order, including costs that APCo and the Commission will continue to incur after the issuance of the Financing Order, Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Issuer’s costs of issuance of the SAC Bonds.

“Operating Expenses” means all unreimbursed fees, costs and expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee, the Securities Intermediary or any Manager, the Servicing Fee, the Administration Fee, Reimbursable Administrative Expenses, Reimbursable Expenses, legal and accounting fees, Rating Agency fees, costs and expenses of the Issuer and APCo, any franchise or other taxes owed on investment income in the Collection Account and any other expenses of the Issuer and APCo specified as being Operating Expenses in the Basic Documents.

“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.

“Outstanding” means, as of the date of determination, all SAC Bonds theretofore authenticated and delivered under this Indenture except:

- (a) SAC Bonds theretofore canceled by the Securitized Bond Registrar or delivered to the SAC Bond Registrar for cancellation;
- (b) SAC 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 SAC Bonds; and
- (c) SAC Bonds in exchange for or in lieu of other SAC Bonds which have been issued pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such SAC Bonds are held by a Protected Purchaser;

provided that, in determining whether the Holders of the requisite Outstanding Amount of the SAC Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, SAC Bonds owned by the Issuer, any other obligor upon the SAC 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 (unless one or more such Persons owns one-hundred (100) percent of such SAC Bonds), 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 SAC Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. SAC 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 SAC Bonds and that the pledgee is not the Issuer, any other obligor upon the SAC 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 SAC Bonds or, if the context requires, all SAC Bonds of a Tranche, Outstanding at the date of determination.

Appendix A

“Paying Agent” means, with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the SAC Bonds pursuant to the Indenture.

“Payment Date” means, with respect to any Tranche of SAC 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 SAC 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 SAC Charge 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 SAC 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, (a) all accrued and unpaid interest on the SAC Bonds then due shall have been paid in full on a timely basis, (b) the Outstanding Amount of the SAC Bonds is equal to the Projected Unrecovered Balance on each Payment Date during such Calculation Period, (c) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level and (d) 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 True-Up Adjustments or Non-Standard True-Up Adjustments occurring after the last Scheduled Final Payment Date for the SAC Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient SAC Charges will be collected to retire the SAC Bonds in full as of the next Payment Date.

“Periodic Principal” means, with respect to any Payment Date, the payment of the principal on the SAC Bonds then scheduled to be paid on a Tranche pursuant to Expected Amortization Schedule.

“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 Governmental Authority.

“Predecessor SAC Bond” means, with respect to any particular SAC Bond, every previous SAC Bond evidencing all or a portion of the same debt as that evidenced by such particular SAC Bond, and, for the purpose of this definition, any SAC Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen SAC Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen SAC Bond.

Appendix A

“Premises” is defined in Section 1(g) of the Administration Agreement.

“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 SAC Bonds for such Payment Date set forth in the Expected Amortization Schedule.

“Prospectus” means the prospectus dated May 19, 2026 relating to the SAC Bonds.

“Protected Purchaser” has the meaning specified in Section 8-303 of the NY UCC.

“Purchase Price” is defined in Section 2.01 of the Sale Agreement.

“Rating Agency” means with respect to any Tranche of SAC Bonds, any of Moody’s or Standard & Poor’s which provides a rating with respect to the SAC 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 Rating Agency 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 SAC 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 SAC 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 (a) 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 (b) 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).

“Record Date” means, with respect to a Payment Date, in the case of Definitive SAC 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 SAC Bonds, one Business Day prior to the applicable Payment Date.

“Registered Holder” means the Person in whose name a SAC Bond is registered on the Securitized Bond Register.

Appendix A

“Registration Statement” means the registration statement, Form SF-1 Registration Nos. 333-293890 and 333-293890-01, filed with the SEC for registration under the Securities Act relating to the offering and sale of the SAC 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.

“Reimbursable Administrative Expenses” is defined in Section 2 of the Administration Agreement.

“Reimbursable Servicer Expenses” is defined in Section 6.06(a) of the Servicing Agreement.

“Released Parties” is defined in Section 6.02(e)(v) of the Servicing Agreement.

“Remittance Shortfall” means the amount, if any, calculated for a particular Collection Period, by which Actual Collections received by the Servicer during such Collection Period exceed all Estimated SAC Charge Collections remitted to the Collection Account during such Collection Period.

“Required Capital Level” means an amount equal to 0.50% of the initial principal amount of the SAC 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 SAC 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 SAC Bonds” means any day on which the final distribution is made to the Indenture Trustee in respect of the last Outstanding SAC Bonds.

“Return on Invested Capital” means, for any Payment Date with respect to any Remittance Period, the sum of (a) rate of return, payable to APCo, on its Capital Contribution, equal to APCo’s then authorized pre-tax weighted average cost of capital established in APCo’s then most recent base rate case plus (b) any Return on Invested Capital not paid on any prior Payment Date.

“SAC Bond Collateral” has the meaning specified in the preamble of the Indenture.

“SAC Bond Register” means the register maintained pursuant to Section 2.05 of the Indenture, providing for the registration of the SAC Bonds and transfers and exchanges thereof.

“SAC Bond Registrar” means the registrar at any time of the Securitized Bond Register, appointed pursuant to Section 2.05 of the Indenture.

“SAC Bonds” means the “Series 2026-A Senior Secured SAC Bonds” authorized by the Financing Order and issued by the Issuer under the Indenture and Series Supplement on the Closing Date.

“SAC Charge” means any “securitized asset cost charge” (as defined in Section 56-249.8.A. of the Securitization Law), which is authorized by the Financing Order.

“SAC Charge Collections” means the SAC Charges actually received by the Servicer to be remitted to the Collection Account.

“SAC Charge Payments” means the payments made by Customers based on the SAC Charges.

“SAC Property” means the “securitized asset cost property” created pursuant to the Financing Order and sold or otherwise conveyed to the Issuer under the Sale Agreement, including: (a) all rights and interests of APCo, or its successor or assignee, under the Financing Order, including the right to impose, bill, charge, collect and receive SAC Charges authorized in the Financing Order and to obtain periodic adjustments to such SAC Charges as provided in the Financing Order, and (b) all revenues, collections, claims, rights to payments, payments, money or proceeds arising from the rights and interests specified in the Financing Order, regardless of whether such revenues, collections, claims, rights to payment, payments, money or proceeds are imposed, billed, charged, collected or received with, or maintained together with or commingled with, other revenues, collections, rights to payment, payments, money or proceeds.

“SAC Property Records” is defined in Section 5.01 of the Servicing Agreement.

“Sale Agreement” means the Securitized Asset Cost Property Purchase and Sale Agreement, dated as of May 27, 2026, by and between APCo and the Issuer, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Sanctions” is defined in Section 3.21(a) of the Indenture.

“Scheduled Final Payment Date” means with respect to each Tranche of SAC 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 SAC Bonds.

“Scheduled Payment Date” is defined in the Series Supplement with respect to each Tranche of SAC 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 the Commonwealth of the Commonwealth of Virginia, 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, or any other eligible financial institution, solely in the capacity of a “securities intermediary” (as defined in the NY UCC and Federal Book-Entry Regulations) and an account bank, or any successor securities intermediary or account bank under the Indenture.

“Securitization Financing Rider” means the Securitized Asset Cost Charge Tariff, in the form attached to the Financing Order as Appendix D, filed with the Commission pursuant to the Securitization Law to evidence the SAC Charges pursuant to the Financing Order.

“Securitization Financing Rider Adjustment” means a revision to the Securitization Financing Rider or any other notice filing filed with the Commission in respect of the Securitization Financing Rider pursuant to a True-Up Adjustment.

“Securitization Law” means § 249.8 of Title 56 of the Va Code, 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.

Appendix A

“Securitized Asset Costs” means the “securitized asset costs” (as defined in the Securitization Law) recoverable pursuant to the Financing Order through the issuance of the SAC Bonds, including the Financing Costs.

“Seller” is defined in the preamble to the Sale Agreement.

“Semi-Annual or Quarterly True-Up Adjustment” means each required adjustment to the SAC Charges made pursuant to the terms of the Financing Order and in accordance with Section 4.01(b)(ii) of the Servicing Agreement.

“Semi-Annual or Quarterly True-Up Adjustment Date” means, a date selected by the Servicer that is not more than six (6) months after the most recent application of the True-Up Adjustment (or, beginning twelve (12) months prior to the Scheduled Final Payment Date of the last maturing tranche of a series of SAC Bonds, not more than three (3) months after the most recent application of the True-Up Adjustment).

“Series Supplement” means the Series Supplement, dated as of May 27, 2026, among the Issuer, the Indenture Trustee and the Securities Intermediary, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Servicer” means APCo, 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 Securitized Asset Cost Property Servicing Agreement, dated as of May 27, 2026, by and between the Issuer and APCo, 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.

“Significant and Sustained Change” shall be deemed to have occurred if the forecasted load of any Customer Class for the upcoming remittance period is projected to increase or decrease by ten (10) percent or more compared to the original projected load for that class as set forth in the Financing Order or in the most recent application of the True-Up Mechanism or the Non-Standard True-Up Adjustment and such changes are projected by the Servicer to be sustained.

Appendix A

“Special Member” is defined in Section 1.02(b) of the LLC Agreement.

“Special Payment” means with respect to any Tranche of SAC Bonds, any payment of principal of or interest on (including any interest accruing upon default), or any other amount in respect of, the sac 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 Purpose Provisions” is defined in Section 11.02(a)(i) of the LLC Agreement.

“Special Record Date” means with respect to any Special Payment Date, the close of business on the fifteenth (15th) day (whether or not a Business Day) preceding such Special Payment Date.

“Sponsor” means APCo, in its capacity as “sponsor” of the SAC Bonds within the meaning of Regulation AB.

“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 Commonwealth of Virginia as set forth in Section 56-249.8:K of the Securitization Law.

“Subaccounts” is defined in Section 8.02(a) of the Indenture.

“Successor Servicer” is defined in Section 3.07(c) of the Indenture.

“Temporary SAC Bonds” means SAC Bonds executed, and upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive SAC Bonds pursuant to Section 2.04 of the Indenture.

“Termination Notice” is defined in Section 7.01(e) of the Servicing Agreement.

“Third-Party Collector” means each electric utility, municipally owned utility and/or cooperative, which, is obligated to bill, pay or collect SAC Charges.

“Tranche” means any one of the tranches of SAC Bonds.

“Tax Return” is defined in Section 1(a)(iii) of the Administration 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 Letter” means the Form of True-Up Adjustment Letter, in the form attached to the Financing Order as Appendix C, filed with the Commission pursuant to the Securitization Law and the Financing Order.

“True-Up Adjustments” means the Annual True-Up Adjustment, the Semi-Annual or Quarterly True-Up Adjustment, and the Interim True-Up Adjustment.

“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 SAC Bonds of any Tranche from the Issuer and sell such SAC Bonds in a public offering.

“Underwriting Agreement” means the Underwriting Agreement, dated May 20, 2026, by and among APCo, the representatives of the 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 SAC Bonds less the amount in the Excess Funds Subaccount available to make principal payments on the SAC Bonds.

“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.

“Va Code” means the Code of Virginia, as amended from time to time.

“Weighted Average Days Outstanding” means the weighted average number of days APCo’s Bills to Customers remain outstanding during the calendar year immediately preceding the calculation thereof pursuant Section 4.01(b) the Servicing Agreement. The initial Weighted Average Days Outstanding shall be thirty five (35) days until updated pursuant to Section 4.01(b) 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. Terms Generally. 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.

Appendix A

SERIES SUPPLEMENT

This SERIES SUPPLEMENT dated as of May 27, 2026 (this “Supplement”), by and between Appalachian Power Recovery Funding LLC, a limited liability company created under the laws of the State of Delaware (the “Issuer”), U.S. Bank Trust Company, National Association, a national banking association (“Bank”), not in its individual capacity, but solely in its capacity as indenture trustee (the “Indenture Trustee”), and U.S. Bank National Association, a national banking association, not in its individual capacity, but solely in its capacity as securities intermediary and account bank (the “Securities Intermediary”), for the benefit of the Secured Parties under the Indenture dated as of May 27, 2026 (the “Indenture”), by and among the Issuer, the Indenture Trustee and the Securities Intermediary.

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 SAC Bonds and specifying the terms thereof. The Issuer has duly authorized the creation of the SAC Bonds with an initial aggregate principal amount of \$1,375,500,000 to be known as Appalachian Power Recovery Funding LLC Series 2026-A Senior Secured SAC Bonds (the “SAC Bonds”), and the Issuer and the Indenture Trustee are executing and delivering this Supplement in order to provide for the SAC 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 SAC Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the SAC Bonds, all of the Issuer’s right, title and interest (whether now owned or hereafter acquired or arising) in and to the following (the “SAC Bond Collateral”):

1. the SAC Property created under and pursuant to the Securitization Law and Financing Order, and transferred by the Seller to the Issuer on the date hereof pursuant to the Sale Agreement (including, to the fullest extent permitted by applicable law, the right to impose, bill, charge, collect and receive SAC Charges, the right to obtain periodic adjustments to the SAC Charges, and all revenues, receipts, collections, rights to payment, payments, moneys, claims or other proceeds arising from the rights and interests created under the Financing Order);
2. all SAC Charges related to the SAC Property;
3. 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 SAC Property and the SAC Bonds;

4. the Servicing Agreement, the Intercreditor Agreement and Intercreditor Joinder, the Administration Agreement and any subservicing, agency, other intercreditor, administration or collection agreements executed in connection therewith, to the extent related to the SAC Property and the SAC Bonds;
5. 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;
6. all rights to compel the Servicer to file for and obtain periodic adjustments to the SAC Charges or Customer Classes in accordance with, as applicable, the Securitization Law, the Financing Order, the True-Up Adjustment Letter, the Non-Standard True-Up Adjustment Rider and the Securitization Financing Rider and any Securitization Financing Rider Adjustments filed in connection therewith;
7. 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 SAC Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property;
8. 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; and
9. all payments on or under, and all proceeds in respect of, any or all of the foregoing;

provided that none of the following shall constitute any part of the SAC Bond Collateral:

(x) cash that has been released pursuant to Section 8.02(e)(xi) of the Indenture and, following retirement of all Outstanding SAC Bonds, cash that has been released pursuant to Section 8.02(e)(xiii) of the Indenture;

(y) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the SAC Bonds (together with any interest earnings thereon); or

(z) proceeds from the sale of the SAC Bonds required to pay (A) the purchase price for the SAC Property and paid pursuant to the Sale Agreement or (B) up-front Financing Costs; it being understood that such amounts described in clauses (x), (y) and (z) 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 SAC 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 SAC 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 SAC 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 SAC Bonds shall be designated generally as the SAC Bonds, and further denominated as Tranches A-1 through A-3.

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

<u>Tranche</u>	<u>Initial Principal Amount</u>	<u>Bond Interest Rate</u>	<u>Scheduled Final Payment Date</u>	<u>Final Maturity Date</u>
A-1	\$450,000,000	4.961%	10/01/2035	10/01/2037
A-2	\$325,500,000	5.371%	04/01/2040	04/01/2042
A-3	\$600,000,000	5.836%	04/01/2046	04/01/2048

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

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

(a) Authentication Date. The SAC Bonds that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on May 27, 2026 (the “Closing Date”) shall have as their date of authentication May 27, 2026.

(b) Payment Dates. The Payment Dates for the SAC Bonds are April 1 and October 1 of each year or, if any such date is not a Business Day, the next succeeding Business Day, commencing on April 1, 2027 (the “Initial Payment Date”) and continuing until the earlier of repayment of the SAC Bonds in full and the Final Maturity Date of Tranche A-3 of the SAC Bonds.

(c) Expected Sinking Fund 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 SAC Bonds, until the Outstanding Amount of such Tranche of SAC Bonds thereof has been reduced to zero; (2) to the holders of the Tranche A-2 SAC Bonds, until the Outstanding Amount of such Tranche of SAC Bonds thereof has been reduced to zero; and (3) to the holders of the Tranche A-3 SAC Bonds, until the Outstanding Amount of such Tranche of SAC 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 SAC Bonds to the amount specified in the Expected Sinking Fund 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 SAC Bonds on each Payment Date in an amount equal to one-half of the product of (i) the applicable Bond Interest Rate and (ii) the Outstanding Amount of the related Tranche of SAC 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 SAC 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 SAC Bonds. The SAC Bonds shall be Book-Entry SAC Bonds and the applicable provisions of Section 2.11 of the Indenture shall apply to the SAC Bonds.

(f) Waterfall Caps. The amount payable with respect to the SAC Bonds pursuant to Section 8.02(e)(i), shall not exceed \$200,000 annually.

SECTION 4. Minimum Denominations. The SAC 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 SAC Bonds, the following definitions shall apply:

“Bond Interest Rate” has the meaning set forth in Section 2 of this Supplement.

“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.

“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 SAC Bonds; Form of the SAC Bonds. The Indenture Trustee shall deliver the SAC Bonds to the Issuer when authenticated in accordance with Section 2.03 of the Indenture. The SAC Bonds of each Tranche shall be in the form of Exhibits A-1 through A-3 hereto.

SECTION 7. Ratification of Indenture. 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 supplements the Indenture only in so far as it relates to the SAC 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. This Supplement may be electronically signed, and any digital or electronic signatures (including pdf, facsimile or electronically imaged signatures provided by DocuSign or any other digital signature provider as specified in writing to the Indenture Trustee) appearing on this Supplement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Supplement may be made by facsimile, email or other electronic transmission.

SECTION 9. GOVERNING LAW; JURISDICTION.

(A) 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 EXCEPT AS SET FORTH IN SECTION 8.02(B) OF THE INDENTURE, THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED UNDER THE INDENTURE AND THIS SUPPLEMENT IN SAC PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND THE HOLDERS WITH RESPECT TO THE SAC PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) SUBMISSION TO NON-EXCLUSIVE JURISDICTION. EACH OF THE ISSUER AND THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND EACH HOLDER (BY ITS ACCEPTANCE OF THE SAC BONDS) HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY U.S. FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENT AND THE SAC BONDS AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS RESPECTIVE PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. EACH OF THE ISSUER, THE INDENTURE TRUSTEE, THE SECURITIES INTERMEDIARY AND EACH HOLDER (BY ITS ACCEPTANCE OF THE SAC BONDS) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY.

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 SAC 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 APCo) 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 APCo) 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 SAC 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 SAC Bonds.

SECTION 11. Indenture Trustee and Securities Intermediary. The Indenture Trustee and the Securities Intermediary shall be entitled to the same rights, protections, privileges and indemnities under this Supplement to which they are entitled under the Indenture.

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

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as Issuer

By: /s/ Franz D. Messner

Name: Franz D. Messner

Title: Manager

U.S. Bank Trust Company, National Association,
as Indenture Trustee

By: /s/ Matthew M. Smith

Name: Matthew M. Smith

Title: Vice President

U.S. Bank National Association,
as Securities Intermediary

By: /s/ Matthew M. Smith

Name: Matthew M. Smith

Title: Vice President

SCHEDULE A
EXPECTED SINKING FUND SCHEDULE

DATE	Tranche A-1	Tranche A-2	Tranche A-3
1-Apr-27	\$ 35,048,431.00	\$ 0.00	\$ 0.00
1-Oct-27	\$ 21,576,349.07	\$ 0.00	\$ 0.00
1-Apr-28	\$ 22,083,609.04	\$ 0.00	\$ 0.00
1-Oct-28	\$ 22,602,794.69	\$ 0.00	\$ 0.00
1-Apr-29	\$ 23,134,186.39	\$ 0.00	\$ 0.00
1-Oct-29	\$ 23,678,071.11	\$ 0.00	\$ 0.00
1-Apr-30	\$ 24,234,742.56	\$ 0.00	\$ 0.00
1-Oct-30	\$ 24,804,501.36	\$ 0.00	\$ 0.00
1-Apr-31	\$ 25,387,655.19	\$ 0.00	\$ 0.00
1-Oct-31	\$ 25,984,518.96	\$ 0.00	\$ 0.00
1-Apr-32	\$ 26,595,415.00	\$ 0.00	\$ 0.00
1-Oct-32	\$ 27,220,673.21	\$ 0.00	\$ 0.00
1-Apr-33	\$ 27,860,631.24	\$ 0.00	\$ 0.00
1-Oct-33	\$ 28,515,634.68	\$ 0.00	\$ 0.00
1-Apr-34	\$ 29,186,037.25	\$ 0.00	\$ 0.00
1-Oct-34	\$ 29,872,200.99	\$ 0.00	\$ 0.00
1-Apr-35	\$ 30,574,496.43	\$ 0.00	\$ 0.00
1-Oct-35	\$ 1,640,051.83	\$ 29,653,251.01	\$ 0.00
1-Apr-36	\$ 0.00	\$ 32,118,264.68	\$ 0.00
1-Oct-36	\$ 0.00	\$ 32,970,041.06	\$ 0.00
1-Apr-37	\$ 0.00	\$ 33,844,406.55	\$ 0.00
1-Oct-37	\$ 0.00	\$ 34,741,960.21	\$ 0.00
1-Apr-38	\$ 0.00	\$ 35,663,316.99	\$ 0.00
1-Oct-38	\$ 0.00	\$ 36,609,108.16	\$ 0.00
1-Apr-39	\$ 0.00	\$ 37,579,981.71	\$ 0.00
1-Oct-39	\$ 0.00	\$ 38,576,602.82	\$ 0.00
1-Apr-40	\$ 0.00	\$ 13,743,066.81	\$ 25,856,587.52
1-Oct-40	\$ 0.00	\$ 0.00	\$ 40,711,117.27
1-Apr-41	\$ 0.00	\$ 0.00	\$ 41,887,261.45
1-Oct-41	\$ 0.00	\$ 0.00	\$ 43,097,384.43
1-Apr-42	\$ 0.00	\$ 0.00	\$ 44,342,467.87
1-Oct-42	\$ 0.00	\$ 0.00	\$ 45,623,521.77
1-Apr-43	\$ 0.00	\$ 0.00	\$ 46,941,585.31
1-Oct-43	\$ 0.00	\$ 0.00	\$ 48,297,727.71
1-Apr-44	\$ 0.00	\$ 0.00	\$ 49,693,049.06
1-Oct-44	\$ 0.00	\$ 0.00	\$ 51,128,681.25
1-Apr-45	\$ 0.00	\$ 0.00	\$ 52,605,788.85
1-Oct-45	\$ 0.00	\$ 0.00	\$ 54,125,570.09
1-Apr-46	\$ 0.00	\$ 0.00	\$ 55,689,257.42
Total Payments	\$ 450,000,000	\$ 325,500,000	\$ 600,000,000

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

DATE	Tranche A-1	Tranche A-2	Tranche A-3
Closing Date	\$ 450,000,000.00	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-27	\$ 414,951,569.00	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-27	\$ 393,375,219.93	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-28	\$ 371,291,610.89	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-28	\$ 348,688,816.20	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-29	\$ 325,554,629.81	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-29	\$ 301,876,558.70	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-30	\$ 277,641,816.14	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-30	\$ 252,837,314.78	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-31	\$ 227,449,659.59	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-31	\$ 201,465,140.63	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-32	\$ 174,869,725.63	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-32	\$ 147,649,052.42	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-33	\$ 119,788,421.18	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-33	\$ 91,272,786.50	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-34	\$ 62,086,749.25	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-34	\$ 32,214,548.26	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-35	\$ 1,640,051.83	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-35	\$ 0.00	\$ 295,846,748.99	\$ 600,000,000.00
1-Apr-36	\$ 0.00	\$ 263,728,484.31	\$ 600,000,000.00
1-Oct-36	\$ 0.00	\$ 230,758,443.25	\$ 600,000,000.00
1-Apr-37	\$ 0.00	\$ 196,914,036.70	\$ 600,000,000.00
1-Oct-37	\$ 0.00	\$ 162,172,076.49	\$ 600,000,000.00
1-Apr-38	\$ 0.00	\$ 126,508,759.50	\$ 600,000,000.00
1-Oct-38	\$ 0.00	\$ 89,899,651.34	\$ 600,000,000.00
1-Apr-39	\$ 0.00	\$ 52,319,669.63	\$ 600,000,000.00
1-Oct-39	\$ 0.00	\$ 13,743,066.81	\$ 600,000,000.00
1-Apr-40	\$ 0.00	\$ 0.00	\$ 574,143,412.48
1-Oct-40	\$ 0.00	\$ 0.00	\$ 533,432,295.21
1-Apr-41	\$ 0.00	\$ 0.00	\$ 491,545,033.76
1-Oct-41	\$ 0.00	\$ 0.00	\$ 448,447,649.33
1-Apr-42	\$ 0.00	\$ 0.00	\$ 404,105,181.46
1-Oct-42	\$ 0.00	\$ 0.00	\$ 358,481,659.69
1-Apr-43	\$ 0.00	\$ 0.00	\$ 311,540,074.38
1-Oct-43	\$ 0.00	\$ 0.00	\$ 263,242,346.67
1-Apr-44	\$ 0.00	\$ 0.00	\$ 213,549,297.61
1-Oct-44	\$ 0.00	\$ 0.00	\$ 162,420,616.36
1-Apr-45	\$ 0.00	\$ 0.00	\$ 109,814,827.51
1-Oct-45	\$ 0.00	\$ 0.00	\$ 55,689,257.42
1-Apr-46	\$ 0.00	\$ 0.00	\$ 0.00

SECURITIZED ASSET COST PROPERTY SERVICING AGREEMENT

by and between

APPALACHIAN POWER RECOVERY FUNDING LLC,

as Issuer

and

APPALACHIAN POWER COMPANY,

as Servicer

Dated as of May 27, 2026

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Annex I Servicing Procedures

SECURITIZED ASSET COST PROPERTY SERVICING AGREEMENT

This SECURITIZED ASSET COST PROPERTY SERVICING AGREEMENT (this “Agreement”), dated as of May 27, 2026, is between APPALACHIAN POWER RECOVERY FUNDING LLC, a Delaware limited liability company, as issuer (the “Issuer”), and APPALACHIAN POWER COMPANY (“APCo”), a Virginia corporation, as servicer (the “Servicer”).

RECITALS

WHEREAS, pursuant to the Securitization Law and the Financing Order, APCo, 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 SAC Property created pursuant to the Securitization Law and the Financing Order described therein;

WHEREAS, in connection with its ownership of the SAC Property and in order to collect the associated SAC Charges, the Issuer desires to engage the Servicer to carry out the functions described herein and the Servicer desires to be so engaged;

WHEREAS, the Issuer desires to engage the Servicer to act on its behalf in obtaining True-Up Adjustments and Non-Standard True-Up Adjustments from the Commission and the Servicer desires to be so engaged;

WHEREAS, the SAC Charges 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 APCo to allocate the collected, commingled funds according to each party’s interest; and

WHEREAS, the Financing Order calls for the Servicer to execute a servicing agreement with the Issuer pursuant to which the Servicer will be required, among other things, to impose and collect the SAC Charges for the benefit and account of the Issuer, to obtain True-Up Adjustments and Non-Standard True-Up Adjustments from the Commission as required or allowed by the Financing Order, and to account for and remit the SAC Charges to the Indenture Trustee on behalf and for the account of the Issuer.

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, U.S. Bank Trust Company, National Association, a

national banking association, not individually but solely in its capacity as the indenture trustee (the "Indenture Trustee"), and U.S. Bank National Association, a national banking association, not individually but solely in its 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 terms "includes" and "including" shall mean "includes without limitation" and "including without limitation," respectively.

(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 Securitization Law shall, as the context requires, have the meanings assigned to such terms in the Securitization Law, but without giving effect to amendments to the Securitization Law 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, as an independent contractor, and the Servicer 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 SAC 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 Commission. 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 other 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 SAC Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the SAC 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 SAC Property and the SAC Property Records. The Servicer shall not take any action that is not authorized by this Agreement, that would contravene the Securitization Law, the Commission Regulations or the Financing Order, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer or the Indenture Trustee (on behalf of the Secured Parties) in the SAC 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:

- (i) management, servicing and administration of the SAC Property;
- (ii) obtaining meter reads, calculating usage, billing, collections and posting of all payments in respect of SAC Property (including the SAC Charges);
- (iii) responding to inquiries by Customers, the Commission, or any other Governmental Authority with respect to the SAC Property (including the SAC Charges);
- (iv) investigating and handling delinquencies (and furnishing reports with respect to such delinquencies to the Issuer), processing and depositing collections and making periodic remittances;
- (v) furnishing periodic reports to the Issuer, the Indenture Trustee and the Rating Agencies;
- (vi) making all required filings with the Commission 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 SAC Property;
- (vii) making all required 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 SAC Bond Collateral;

(viii) 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;

(ix) taking all necessary action in connection with the True-Up Adjustments and Non-Standard True-Up Adjustments as set forth herein; and

(x) 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 Commission Regulations, the Financing Order, and the U.S. federal securities laws and the rules and regulations promulgated thereunder, including without limitation, Regulation AB and Rule 17g-5, 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 (25th) calendar day of each month (or if such day is not a Servicer Business Day, on the immediately succeeding Servicer Business Day), beginning with July, 2026, 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 SAC Charge Payments received by the Servicer during the Collection Period corresponding to the immediately preceding month; provided, however, that for any month in which the Servicer is required to deliver a Servicer's Certificate pursuant to Section 4.01(d)(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 promptly notify the Issuer, the Indenture Trustee and the Rating Agencies in writing, if such Servicer becomes aware of any Requirement of Law or Commission 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 SAC Property to the extent it is reasonably available to the Servicer

without undue cost or burden, 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 SAC 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 without undue cost or burden that is necessary to calculate the SAC Charges applicable to each 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(d)(ii), the Annual Compliance Certificate 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 Sponsor under the U.S. federal securities laws 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 (A) the Monthly Servicer's Certificates described in Section 3.01(b)(i) (under Form 10-D or any other applicable form), (B) the Servicer's Certificates described in Section 4.01(d)(ii) (under Form 10-D or any other applicable form), (C) the annual statements of compliance, attestation reports and other certificates described in Section 3.03, and (D) 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 Sponsor'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 U.S. federal securities laws and/or any other applicable law.

(c) Opinions of Counsel. The Servicer shall obtain on behalf of the Issuer and deliver to the Issuer and to 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 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 SAC 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) no later than March 31 of each calendar year (beginning with the calendar year beginning January 1, 2027), an Opinion of Counsel from external counsel of the Issuer either: (A) to the effect that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording and re-filing of the Indenture, any indentures supplemental hereto and any other requisite documents and with respect to the execution and filing of any filings with the Commission, the Secretary of State, under the Securitization Law and the Financing Order and any financing statements and continuation statements as are necessary to maintain the Lien and first priority perfected security interest created by the Indenture and reciting the details of such action; or (B) to the effect 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 re-filing of the Indenture, any indentures supplemental hereto and any other requisite documents and the execution and filing of any filings with the Commission, the 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 first priority perfected security interest created by the Indenture and the Series Supplement.

Each Opinion of Counsel referred to in Section 3.01(c)(i) and (ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to preserve, protect and perfect such Liens. The costs of such Opinions of Counsel, are out-of-pocket costs of the Servicer which shall be Reimbursable Servicer Expenses reimbursable under the Indenture as Ongoing Financing Costs.

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 SAC Property with reasonable care and in material compliance with applicable Requirements of Law, including all applicable Commission Regulations, 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 electric transmission and distribution industry in the Commonwealth of Virginia 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 SAC Property and to impose, bill, charge, collect and receive the SAC Charges;

(d) comply with all Requirements of Law, including all applicable Commission Regulations and guidelines, applicable to and binding on it relating to the SAC Property;

(e) file and maintain the effectiveness of UCC financing statements with respect to the SAC 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 SAC 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 SAC 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 (x) March 31 of each year, beginning March 31, 2027, or (y) with respect to each calendar year during which the Sponsor'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 (the "Annual Compliance Certificate"), which may be in the form attached hereto as Exhibit C-1, 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 (the "Certificate of Compliance"), which may be in the form attached hereto as Exhibit C-2, in each case, with such changes as may be required to conform to the applicable U.S. federal 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 (or any successor or similar item or rule) to the extent required in connection with the filing of the annual report on Form 10-K referred to above; 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 Sponsor, 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 Sponsor, 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 Sponsor, 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 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 (i) March 31 of each year, beginning March 31, 2027, or (ii) 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, 2027, the period of time from the date of this Agreement until December 31, 2026), in accordance with paragraph (b) of Rule 13a-18 and Rule 15d-18 of the Exchange Act and Item 1122 of Regulation AB, identifying the results of such procedures and including any exceptions noted. 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 written 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 delivered pursuant to Section 3.04(a) above 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.

(c) The costs of the Annual Accountant's Report shall be Reimbursable Servicer Expenses reimbursable as an Operating Expense under the Indenture.

SECTION 3.05. Commission Annual Report.

(a) The Servicer shall prepare and submit to the Director of the Division of Utility Accounting and Finance of the Commission, no later than March 31 of each year (or such other date as may be required by the Commission or the Financing Order), an annual report covering the prior year (the "Commission Annual Report"). The Commission Annual Report shall be submitted in electronic format, with all schedules and supporting data provided in

Microsoft Excel format, as required by the Financing Order. The Commission Annual Report shall include the following information for the reporting period, itemized by month and by dollar amount, and by FERC account where applicable a schedule:

- (i) of the SAC Charges collected by the Servicer from Customers and remitted to the Issuer, by month and by dollar amount;
- (ii) that quantifies the fees paid by the Issuer to the Servicer, by type of fee, by month, by FERC account where the proceeds from each fee are recorded on the Servicer's books, and by dollar amount;
- (iii) that quantifies the Servicer's internal and external costs to carry out its responsibilities under the Servicing Agreement and the Administration Agreement, by agreement, by type of cost, by month, by FERC account where each cost is recorded on the Servicer's books, and by dollar amount; and
- (iv) that quantifies any other charges or fees to or from the Servicer and the Issuer, by type of charge or fee, by month, by FERC account where each charge or fee is recorded on the Servicer's books, and by dollar amount.

(b) The Commission Annual Report shall (i) be certified by a Responsible Officer of the Servicer as to its accuracy and completeness and (ii) include such additional information as the Commission may reasonably request from time to time in connection with the administration and oversight of the SAC Charges, provided that such information is reasonably available to the Servicer without undue cost or burden.

SECTION 3.06. Monitoring of Third-Party Collectors. From time to time, until the Retirement of the SAC Bonds, the Servicer shall 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 such Servicer, the Financing Order, and any Commission 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 SAC Charges are properly enforced in accordance with, if applicable, the terms of any agreement with the Servicer, the Financing Order, and any Commission 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 Financing Order, Commission Regulations or other applicable law, the Servicer shall, with respect to the Customers:

- (i) maintain adequate records for promptly identifying and contacting any 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 the SAC Charges; and

(iv) provide to each Third-Party Collector such information necessary for such Third-Party Collector to confirm the Servicer's calculation of SAC Charges and remittances.

If there are any Third-Party Collectors, the Servicer shall update the records described above in this Section 3.06(a) 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 SAC Bonds from being downgraded, withdrawn or suspended. The Servicer shall, in accordance with and to the extent permitted by the Securitization Law, applicable Commission Regulations and the terms of the Financing Order, include and impose the above-described terms in any tariffs filed under the Securitization Law which would allow other utilities to issue single bills which include SAC Charges to Customers.

ARTICLE IV

SERVICES RELATED TO TRUE-UP ADJUSTMENTS AND NON-STANDARD TRUE-UP ADJUSTMENTS

SECTION 4.01. True-Up Adjustments and Non-Standard True-Up Adjustments. From time to time, until the Retirement of the SAC Bonds, the Servicer shall identify the need for, as applicable, an Annual True-Up Adjustment, a Semi-Annual or Quarterly True-Up Adjustment, an Interim True-Up Adjustment and a Non-Standard True-Up Adjustment and shall take all reasonable action to obtain and implement such adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the SAC 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 Adjustment and Filings. No later than fifteen (15) days prior to each applicable Annual True-Up Adjustment Date, the Servicer will submit to the Commission a True-Up Adjustment Letter, which shall include: (A) the calculation of under-collections or over-collections, regardless of the proposed effective date for the Annual True-Up Adjustment; (B) the calculation of the Periodic Billing Requirement for the next twelve (12) months; (C) the sum of clauses (A) and (B) above, in order to determine an adjusted Periodic Billing Requirement for the next twelve (12) months; (D) the sum calculated in clause (C) above multiplied by the revenue allocation percentage then assigned to each Customer Class to determine the Periodic Bill Requirement for each SAC Rate

Class; (E) the quotient of the amount assigned to each Customer Class in clause (D) above by the forecasted energy (kWh) billing units or demand (kW) which may include adjustments for seasonality and Customer collection experience, as applicable, to determine the respective SAC Charge for each Customer Class. Notwithstanding the foregoing, for purposes of the first (1st) Periodic Billing Requirement, established through the Issuance Advice Letter, it may be calculated based upon a Collection Period greater or less than twelve (12) months, and the Periodic Billing Requirement calculated in the event any SAC Bonds remain outstanding following the Scheduled Final Payment Date may be calculated based upon a Collection Period of less than twelve (12) months. The Servicer shall perform the calculation of Annual True-Up Adjustment in accordance with the formula and procedures set forth in the True-Up Adjustment Letter, as may be amended from time to time with Commission approval, and make all required notice and other filings with the Commission to the reflect the revised SAC Charges, including any Securitization Financing Rider Adjustment. Such Annual True-Up Adjustment shall be implemented within thirty (30) days of the Servicer's filing with the Commission, subject to the Commission's right to review for mathematical or clerical errors, and no further action of the Commission shall be required prior to implementation, as provided in the Financing Order.

(ii) Semi-Annual or Quarterly True-Up Adjustment and Filings. The Servicer will implement a Semi-Annual or Quarterly True-Up Adjustment (in the same manner as provided for in Section 4.01(b)(i), except applying to the process the Semi-Annual or Quarterly True-Up Adjustment and Semi-Annual or Quarterly True-Up Adjustment Date in lieu of the Annual True-Up Adjustment and Annual True-Up Adjustment Date) no later than fifteen (15) days prior to the applicable Semi-Annual or Quarterly True-Up Adjustment Date if the Servicer forecasts that SAC Charge Collections during the current Calculation Period will be insufficient: (A) to make all scheduled payments of principal, interest, and other amounts in respect of the SAC Bonds on a timely basis; (B) to replenish any draws upon the Capital Subaccount; and/or (C) to pay Ongoing Financing Costs on a timely basis.

(iii) Interim True-Up Adjustment and Filings. In addition to the Annual True-Up Adjustment and the Semi-Annual or Quarterly True-Up Adjustment, the Servicer may implement an Interim True-Up Adjustment (in the same manner as provided for in Section 4.01(b)(i), except applying to the process the Interim True-Up Adjustment and Interim True-Up Adjustment Date in lieu of the terms Annual True-Up Adjustment and Annual True-Up Adjustment Date) at any time if the Servicer forecasts that SAC Charge Collections during the current Calculation Period will be insufficient to: (A) make all scheduled payments of principal, interest, and other amounts in respect of the SAC Bonds on a timely basis; (B) to replenish any draws upon the Capital Subaccount; and/or (C) to pay Ongoing Financing Costs on a timely basis or generally to correct any under-collection or over-collection in order to assure timely payment of the foregoing without over-collection. Such interim adjustments may be made from time to time, as determined by the Servicer.

(c) Non-Standard True-Up Adjustment. Upon the happening of a Significant Change, the Servicer may submit a Non-Standard True-Up Adjustment Rider to the Commission with a Non-Standard True-Up Adjustment Effective Date at least thirty (30) days after the date of each submission. If the Commission approves the Non-Standard True-Up Adjustment Rider or does not object for the reasons described in the Financing Order within the applicable thirty (30) day period for the Commission's response, the Servicer shall effect the corresponding Non-Standard True-Up Adjustment as of the Non-Standard True-Up Adjustment Effective Date. If the Commission objects to the Non-Standard True-Up Adjustment Rider for the reasons described in the Financing Order within such thirty (30) day period, the Servicer may review the reasons provided for the Commission's determination and, if the Non-Standard True-Up Adjustment Rider can be revised to resolve the Commission's reasons for the objection, the Servicer may submit a revised Non-Standard True-Up Adjustment Rider to the Commission for approval.

(d) Reports.

(i) Notification of Filings. Whenever the Servicer files a True-Up Adjustment Letter, Non-Standard True-Up Adjustment Rider or Securitization Financing Rider with the Commission, the Servicer shall send a copy of such filing (together with a copy of all notices and documents which, in the Servicer's reasonable judgment, are material to the adjustments effected by such True-Up Adjustment Letter, Non-Standard True-Up Adjustment Rider or Securitization Financing Rider, as applicable) to the Issuer, the Indenture Trustee and the Rating Agencies concurrently therewith. If, for any reason any revised SAC Charges are not implemented and effective on the applicable date set forth in the True-Up Adjustment Letter, the Non-Standard True-Up Adjustment Rider or the Securitization Financing Rider, as applicable, the Servicer shall notify the Issuer, the Indenture Trustee and each Rating Agency by the end of the second (2nd) 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 draft of a written report substantially in the form of Exhibit B hereto (the "Servicer's Certificate") to the Indenture Trustee which shall include all of the following information (to the extent applicable) 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 Holders allocable to principal, if any;
- (B) the amount of the payment to Holders allocable to interest;

(C) the aggregate Outstanding Amount of the SAC 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.

On or prior to each Payment Date or Special Payment Date, the Servicer shall deliver the final Servicer's Certificate to the Issuer, the Indenture Trustee and the Rating Agencies.

(iii) Reports to Customers.

(A) After each revised SAC Charge has gone into effect pursuant to any True-Up Adjustments or Non-Standard True-Up Adjustment, the Servicer shall, to the extent and in the manner and time frame required by applicable Commission Regulations, if any, cause to be prepared and delivered to Customers any required notices announcing such revised SAC Charge.

(B) The Servicer shall comply with the requirements of the Financing Order with respect to the identification of SAC Charges on Bills to ensure that each Customer's Bill contains the portion of SAC Charges applicable to the rate class and a separate line item including both the base rate of the Customer's electricity and the amount of the SAC Charge.

(C) The Servicer shall pay 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.

SECTION 4.02. Limitation of Liability.

(a) Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any True-Up Adjustments or Non-Standard True-Up Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(ii) None of the Servicer, the Issuer or 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 SAC Property, the True-Up Adjustments or the Non-Standard True-Up Adjustment), by the Commission in any way related to the SAC Property or in connection with any True-Up Adjustments or Non-Standard True-Up Adjustment, the subject of any filings under Section 4.01, any proposed True-Up Adjustments or Non-Standard True-Up Adjustment, or the approval of any revised SAC 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 SAC 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 grossly 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 SAC Bonds 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 SAC PROPERTY

SECTION 5.01. Custody of SAC Property Records. To assure uniform quality in servicing the SAC 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 SAC Property, including copies of the Financing Order, Issuance Advice Letter, True-Up Adjustment Letter, the Non-Standard True-Up Adjustment Rider, and the Securitization Financing Rider and Securitization Financing Rider Adjustments relating thereto and all documents filed with the Commission in connection with any True-Up Adjustments or Non-Standard True-Up Adjustment and computational records relating thereto (collectively, the "SAC Property Records"), which are hereby constructively delivered to the Indenture Trustee, as pledgee of the Issuer with respect to all SAC Property.

SECTION 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the SAC Property Records on behalf of the Issuer and the Indenture Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the SAC 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 a 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 material failure on its part to hold the SAC 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 SAC Property Records. The Servicer's duties to hold the SAC Property Records set forth in this Section 5.02, to the extent the SAC 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 (i) the date on which the Servicer is succeeded by a successor Servicer in accordance with Article VII and (ii) the first date on which no SAC Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the SAC Property Records at 1 Riverside Plaza, Columbus, Ohio 43215 or 1051 East Cary St., Suite 1100, Richmond, Virginia 23219, 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, as is reasonably required for the Indenture Trustee to perform its duties and obligations under the Indenture and the other Basic Documents, for inspection, audit and copying to the Issuer and the Indenture Trustee or their respective duly authorized representatives, attorneys or auditors the SAC 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 Commission 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 SAC 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 Commission 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 SAC Property Against Claims. The Servicer, on behalf of the Issuer and the Holders, shall institute any action or proceeding reasonably necessary to compel performance by the Commission or the Commonwealth of Virginia under the Securitization Law or the Intercreditor Agreement with respect to the SAC Property; provided, however, that in circumstances in which the servicing procedures set out in Annex I apply, the provisions of this undertaking do not require the Servicer to act in a manner different from the manner that the servicing procedures require. 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, judicial invalidation of, or supplement to, the Securitization Law or the Financing Order which would be detrimental to the interests of the Holders or which would cause an impairment of the rights of the Issuer or the Holders. The costs of any action described in this Section 5.02(d) shall be payable from SAC Charge 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; provided that the Servicer shall only be obligated to institute and maintain such action or proceedings if it is being reimbursed on a current basis for its costs and expenses in taking such actions in accordance with Section 8.02 of the Indenture, and is not required to advance its own funds to satisfy such obligations.

(e) Additional Litigation to Defend SAC Property. In addition to its obligations under Section 5.02(d), the Servicer shall, at its own expense, institute any action or proceeding necessary to compel performance by the Commission or the Commonwealth of Virginia of any of their respective obligations or duties under the Securitization Law or the Financing Order with respect to the SAC Property and SAC Charges. In any proceedings related to the exercise of the power of eminent domain by any municipality to acquire a portion of APCo's electric distribution facilities, the Servicer shall assert that the court ordering such condemnation must treat such municipality as a successor to APCo 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 grossly negligent act or omission in any way relating to the maintenance and custody by the Servicer, as custodian, of the SAC 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 gross 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 (1) year and one (1) day after the date on which no SAC 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 SAC Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any SAC 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 Commonwealth of Virginia, with the requisite corporate or other power and authority to own its properties as such properties are owned on the Closing Date and to conduct its business as such business is conducted by it on the Closing Date, 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 SAC Property and to hold the SAC 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 SAC Property as required by this Agreement and the Intercreditor Agreement) requires 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 SAC 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 bankruptcy, 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 or security interest that may be granted under the Basic Documents or any Lien created pursuant to Section 56-249.8.E.2. 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 SAC 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 SAC Bonds or (iv) seeking to adversely affect the U.S. federal income tax or state income or franchise tax classification of the SAC Bonds as debt.

(g) Approvals. Except for the filings to be made under the Securitization Law, 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 Securitization Law and 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 Commission by the Servicer on behalf of the Issuer with respect to the SAC Charges, True-Up Adjustments or Non-Standard True-Up Adjustment 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 gross 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 in any material respects of any of its representations and warranties contained in this Agreement or the Intercreditor Agreement that results in a Servicer Default, or (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 this Agreement), in each case, 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 APCo (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: (i) the Servicing Fee; (ii) reimbursement for Reimbursable Servicer Expenses; (iii) reimbursement for any Excess Remittance; (iv) reimbursement for costs incurred pursuant to Section 5.02(d); and (v) the payment of the purchase price of SAC 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 SAC 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, for which indemnification by the Servicer under this Agreement shall apply, 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; (iii) the Servicer shall authorize the Indemnified Person to employ one (1) separate counsel (plus one local 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 will credit Customers to the extent there are higher SAC Charges, including any increase in the Servicing Fee that becomes payable to a successor Servicer pursuant to Section 6.06, as a result of a Servicer Default resulting from the Servicer's willful misconduct, bad faith or gross negligence in performance of its duties or observance of its covenants under this Agreement or the Servicer's failure to remit any required payment of SAC Charge Collections; provided, however, that any credit to Customers shall not impact the SAC Charges or the SAC Property. The Servicer's obligation to credit Customers will survive the termination of this Agreement. The requirement to credit customers set forth in this paragraph may be enforced by the Commission but is not enforceable by any Customer.

SECTION 6.03. Binding Effect of Servicing Obligations. The obligations to continue to provide service and to collect and account for SAC 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 is a Customer of APCo or any successor Servicer so long as the SAC Charges have not been fully collected and remitted. Any Person:

- (a) into which the Servicer may be merged, converted or consolidated and which is a Jurisdictional Successor;
- (b) that may result from any merger, conversion or consolidation to which the Servicer shall be a party and which is a Jurisdictional Successor;
- (c) that may succeed to the properties and assets of the Servicer in the Commonwealth of Virginia substantially as a whole;
- (d) which results from the division of the Servicer into two or more Persons and which is a Jurisdictional Successor; or
- (e) is otherwise a Jurisdictional Successor to Servicer;

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 Commission pursuant to the Securitization Law and the UCC, have been executed (if applicable) 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 SAC 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 and the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger, division or succession and such agreement of assumption will not result in a material U.S. federal income tax consequence to the Issuer or the Holders of SAC 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 in the Commonwealth of Virginia substantially as a whole or otherwise becomes the successor to the Servicer 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.

(a) 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 gross 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 or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

(b) 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 SAC 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 SAC Charge 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. APCo Not to Resign as Servicer. Subject to the provisions of Section 6.03, APCo shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement unless APCo delivers to the Indenture Trustee an opinion of external counsel to the effect that APCo's 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 APCo in accordance with Section 7.02.

SECTION 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the Retirement of the SAC Bonds, the Servicer shall receive an annual fee (the “Servicing Fee”) in an amount equal to (i) for so long as APCo or an Affiliate of APCo is the Servicer, 0.05% of the aggregate initial principal amount of all Outstanding SAC Bonds or (ii) if neither APCo nor any of its Affiliates is the Servicer, an amount agreed upon by the successor Servicer and the Indenture Trustee (acting at the written direction of the Holders of a majority in the principal amount of the Outstanding SAC Bonds) not to, unless the Commission consents to such higher amount, exceed 0.60% of the aggregate initial principal amount of all Outstanding SAC Bonds. The Servicing Fee owing shall be calculated based on the initial principal amount of the SAC Bonds. In addition, the Servicer shall be entitled to be reimbursed by the Issuer for filing fees and fees and expenses for printing, attorneys, accountants or other professional services retained by, and other incremental out-of-pocket third-party costs of, the Issuer and paid for by the Servicer (or procured by the Servicer on behalf of the Issuer and paid for by the Servicer) to meet the Issuer’s obligations under the Basic Documents (“Reimbursable Servicer Expenses”).

(b) The Servicing Fee set forth in Section 6.06(a) shall be paid to the Servicer by the Indenture Trustee, semi-annually, with half of the Servicing Fee being paid on each Payment Date (which amount will be pro-rated for the first and final 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 shall 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) Other than Reimbursable Servicer Expenses and except as otherwise 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, but excluding any costs and expenses incurred by APCo in its capacity as Administrator) 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 Fee constitutes a fair and reasonable compensation 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.

(e) Any Servicing Fee (and, if applicable, Administration Fee) received by the Servicer under this Agreement or the Administration Agreement that exceed the Servicer's or Administrator's incremental cost of performing the respective functions shall be credited back to Customers in the next base rate case in which such costs and revenues are included in the Servicer's or Administrator's cost of service, but only to the extent such crediting does not impair the targeted highest credit ratings on the SAC Bonds.

SECTION 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the SAC Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to the SAC Property the noncompliance with which would have a material adverse effect on the value of the SAC 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. It is expressly acknowledged that the payment of fees to the Rating Agencies shall be at the expense of the Issuer and that, if the Servicer advances such payments to the Rating Agencies, such advancements shall constitute Reimbursable Servicer Expenses and the Issuer shall reimburse the Servicer for any such advances.

SECTION 6.08. Access to Certain Records and Information Regarding SAC Property. The Servicer shall provide to the Indenture Trustee access to the SAC 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 Commission 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 APCo, 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 SAC 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 SAC 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 SAC Bonds.

SECTION 6.11. Remittances.

(a) On each Servicer Business Day, commencing 35 days after the Closing Date, the Servicer shall remit to the General Subaccount of the Collection Account the total SAC Charge 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 SAC 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 SAC Bond Collateral which it may receive from time to time.

(b) The Servicer agrees and acknowledges that it holds all SAC Charge Payments collected by it and any other proceeds for the SAC 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, withholding or other deduction except (i) as set forth in clause (c) below and (ii) as permitted by Section 6.06. The Servicer further agrees not to make any claim to reduce its obligation to remit all SAC Charge Payments collected by it in accordance with this Agreement except (i) as set forth in clause (c) below and (ii) as 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, on the immediately succeeding Servicer Business Day) commencing with July, 2026, the Servicer shall, in the Monthly Servicer’s Certificate, calculate the amount of any Remittance Shortfall or Excess Remittance for the Collection Period corresponding to the immediately preceding calendar month, and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental remittance, in the amount of the Remittance Shortfall, to the General Subaccount of the Collection Account within five (5) Servicer Business Days after the delivery of the applicable Monthly Servicer’s Certificate, 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, with 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 SAC 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, with 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, Servicer agrees to use commercially reasonable efforts 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 Customers) so long as it is acting as the Servicer under this Agreement.

SECTION 6.13. Tracing and Segregation of SAC Charge Collections.

(a) The Servicer shall implement and maintain a specific billing code or identifier for SAC Charges on its billing system. This billing code shall be used for all SAC Charges billed to Customers and shall be sufficient to enable the identification and segregation of SAC Charges from all other charges on Customer bills and in the Servicer's accounting and remittance systems.

(b) The Servicer shall ensure that all amounts collected from Customers in respect of SAC Charges are deposited into one or more designated collection accounts established for the benefit of the Indenture Trustee and the Holders, as required by the Indenture and this Agreement.

(c) The Servicer shall maintain records sufficient to determine, at all times, the identifiable cash proceeds of any SAC Property. Such records shall include: (i) the amount of SAC Charges billed and collected; (ii) the application of the specific billing code to each SAC Charge; (iii) the deposit of such collections into the designated collection accounts as specified in the Indenture; and (iv) the reconciliation of SAC Charge Collections with amounts remitted to the Indenture Trustee. The Servicer shall maintain these records in a manner that allows for the tracing of funds collected as SAC Charges from the point of billing through deposit and remittance.

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 the earlier of the date on which (i) written notice of such failure is received by the Servicer from the Issuer or the Indenture Trustee or (ii) such failure is actually known by a Responsible Officer of the Servicer; or

(b) any failure on the part of the Servicer duly to observe or to perform in any material respect any covenants or agreements of the Servicer as set forth in this Agreement (other than as provided in Sections 7.01(a) and (b)) 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 earlier of the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Issuer (with a copy to the Indenture Trustee) or to the Servicer by the Indenture Trustee or (B) such failure is actually known by a Responsible Officer of the Servicer; or

(c) any failure in any material respect 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) Business Days; or

(d) any representation or warranty made by the Servicer in this Agreement or any other Basic Document shall prove to have been incorrect in any 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 earlier of 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 actually known to a Responsible Officer of the Servicer; or

(e) an Insolvency Event occurs with respect to the Servicer;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, the Indenture Trustee acting under the Indenture may (if it is actually known by a Responsible Officer of the Indenture Trustee) or, upon the written instruction of the Holders evidencing not less than a majority of the Outstanding Amount of the SAC Bonds, shall, in each case 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 of the Servicer under this Agreement (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). 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 Commission or the court of the City of Richmond, Virginia, for sequestration and payment of revenues arising with respect to the SAC Property and (ii) foreclose on or otherwise enforce the lien and security interests in any SAC Property. 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 SAC Bonds, the SAC Property, the SAC 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 SAC 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 SAC 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 SAC Property or the SAC Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the SAC 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 SAC 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 APCo as Servicer shall not terminate APCo's 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 and Reimbursable Servicer Expenses, 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 shall, upon the written direction and with the consent of the Holders of at least a majority of the Outstanding Amount of the SAC 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 (acting at the written direction of the Holders of a majority in the principal amount of the Outstanding SAC Bonds) 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, or, upon the written direction of the Holders of not less than a majority of SAC Bonds, shall, in each case petition the Commission or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. Except as permitted by Section 6.03, a Person shall qualify as a successor Servicer only if (i) such Person is permitted under Commission 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 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 under this Agreement and shall be subject to all the responsibilities, duties and liabilities arising thereafter placed on the predecessor Servicer and shall be entitled to the Servicing Fee and reimbursement of the Reimbursable Servicer Expenses 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 Indenture Trustee, acting at the written direction of the Holders evidencing not less than a majority of the Outstanding Amount of the SAC Bonds, may 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 Commission 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. All reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Servicer in connection with this Section 7.05 shall be paid by the Issuer or the successor Servicer from SAC Charge Collections available under the Indenture, following presentation of reasonable documentation of such costs and expenses.

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 and the satisfaction of the Rating Agency Condition; provided that any such amendment may not, as evidenced by an Officer's Certificate of the Servicer delivered to the Issuer and the Indenture Trustee, adversely affect in any material respect the interest of any Holder in any material respect without the consent of the Holders of not less than a majority of the outstanding principal amount of the SAC 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.

(b) In addition, this Agreement may be amended in writing by the Servicer and the Issuer with ten (10) Business Days' prior written notice given to the Rating Agencies and the Indenture Trustee, 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 of the Servicer 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.

(c) 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 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.

(d) Notwithstanding Sections 8.01(a) through (c), 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 SAC Charge 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 SAC Charge Collections determined to have been actually received, or to address the manner of presenting SAC Charges on the Bills of Customers; provided that any such amendment shall not, as evidenced by an Officer's Certificate of the Seller delivered to the Issuer and the Indenture Trustee, have a material adverse effect on the Holders of then Outstanding SAC Bonds.

(e) 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.

(f) 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. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the SAC Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between SAC Charge Payments received by the Servicer and SAC Charge 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 SAC Property and the SAC Charges. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any Commission 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 8.02(b).

SECTION 8.03. Notices. Unless otherwise specifically provided herein, all demands, notices and communications upon or to the Servicer, the Issuer, the Commission, 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 email or other form of electronic transmission:

(a) in the case of the Servicer, to Appalachian Power Company, at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer, Telephone: (614) 716-1000, Email: Treasury_Operatoins_AEP@aep.com;

(b) in the case of the Issuer, to Appalachian Power Recovery Funding LLC, at 1051 East Cary St., Suite 1100, Richmond, Virginia 23219, Attention: Managers, Telephone: (614) 716-1519, Email: Treasury_Operatoins_AEP@aep.com;

(c) in the case of the Indenture Trustee or a Responsible Officer of the Indenture Trustee, at the Corporate Trust Office;

(d) in the case of the Commission, to State Corporation Commission of the Commonwealth of Virginia, Tyler Building – 10th Floor 1300 East Main Street Richmond, VA 23219, Telephone: (804) 371-9733, Email: sccfile@scc.virginia.gov;

(e) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 24th 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 the 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 8.04. 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 8.05. 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 (on behalf of itself and 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 SAC Property or SAC 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 or pursuant to this Agreement may be asserted or exercised only by the Commission (or by its counsel in the name of the Commission) for the benefit of such Customer.

SECTION 8.06. 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 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 8.07. Separate Counterparts; Electronic Signatures. 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. Each party hereto agrees that this Agreement may be electronically signed, that any digital or electronic signatures appearing on this Agreement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Agreement may be made by facsimile, email or other electronic transmission.

SECTION 8.08. 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 8.09. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA, 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 8.10. 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 by the Issuer 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 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, the Servicer shall not, prior to the date that is one (1) year and one (1) 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 U.S. federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer for any substantial part of the property of the Issuer or ordering the dissolution, winding up or liquidation of the affairs of the Issuer.

SECTION 8.12. 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 8.13. 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 SAC Bonds or undertaking credit rating surveillance of the SAC Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on the 17g-5 Website.

SECTION 8.14. Final Distribution and Credit to Other Rates. Upon the Retirement of the SAC Bonds and payment in full of all related Financing Costs, any remaining balance in the Collection Account, after payment of all amounts due to the Servicer, the Indenture Trustee, and any other parties as provided in the Indenture, including the return of the capital contribution and any unpaid return on invested capital to APCo, shall be distributed to APCo. APCo shall, as soon as practicable following receipt of such funds, credit other electric rates and charges by a like amount, less the amount of the relevant capital subaccount and any unpaid return on invested capital due to APCo, in accordance with the requirements of the Financing Order.

SECTION 8.15. Indenture Trustee Action. In acting hereunder, the Indenture Trustee shall have the rights, privileges, protections, indemnities and immunities granted to it under the Indenture.

SECTION 8.16. Termination. This Agreement shall terminate when the Retirement of the SAC Bonds occurs and all related Financing Costs have been paid in full, unless terminated earlier pursuant to the terms of this Agreement.

(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.

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as Issuer

By: /s/ Franz D. Messner

Name: Franz D. Messner

Title: Manager

APPALACHIAN POWER COMPANY,
as Servicer

By: /s/ Matthew D. Fransen

Name: Matthew D. Fransen

Title: Vice President and Treasurer

ACKNOWLEDGED AND ACCEPTED:

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION**, not in its individual capacity but solely as
Indenture Trustee

By: /s/ Matthew M. Smith

Name: Matthew M. Smith

Title: Vice President

*Signature Page to
Securitized Asset Cost Property Servicing Agreement*

EXHIBIT A
MONTHLY SERVICER'S CERTIFICATE

See Attached.

Monthly Servicer's Certificate

(to be delivered each month pursuant to **Section 3.01(b)(i)** of the Securitized Asset Cost Property Servicing Agreement)

APPALACHIAN POWER RECOVERY FUNDING LLC

Appalachian Power Company, as Servicer

Pursuant to the Securitized Asset Cost Property Servicing Agreement dated as of May 27, 2026 (the "SAC Property Servicing Agreement") between Appalachian Power Company, as Servicer, and Appalachian Power Recovery Funding LLC, as Issuer, the Servicer does hereby certify as follows:

Collection Period:
Remittance Dates:

Customer Class	a. SAC Charges in Effect	b. Billed SAC Charges	c. Estimated SAC Charge Collections Received
Total			

Collection Period:

Customer Class	d. Estimated SAC Charge Collections Received	e. Actual SAC Charge Payments Received	f. Remittance Shortfall for this Collection Period	g. Excess Remittance for this Collection Period
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 Securitized Asset Cost Property Servicing Agreement.

EXHIBIT A

In WITNESS HEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate the day of

APPALACHIAN POWER COMPANY,
as Servicer

Name:

Title:

EXHIBIT A

EXHIBIT B

FORM OF SEMI-ANNUAL SERVICER'S CERTIFICATE

Pursuant to Section 4.01(d)(ii) of the Securitized Asset Cost Property Servicing Agreement, dated as of May 27, 2026 (the "Servicing Agreement"), between, APPALACHIAN POWER COMPANY, as Servicer, and APPALACHIAN POWER RECOVERY 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 (as defined in the Servicing Agreement). 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: _____

Collections Allocable and Aggregate Amounts Available for the Current Payment Date:

i. Remittances for the ___ Collection Period	\$ _____
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	\$ _____
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)	\$ _____

Outstanding Amounts of as of Prior Payment Date:

Tranche A-1 Outstanding Amount	\$ _____
Tranche A-2 Outstanding Amount	\$ _____
Aggregate Outstanding Amount of all Tranches of SAC Bonds:	\$ _____

Required Funding/Payments as of Current Payment Date:

<i>Principal</i>	<i>Principal Due</i>
Tranche A-1	\$ _____
Tranche A-2	\$ _____
Tranche A-3	\$ _____
For all Tranches of SAC Bonds:	\$ _____

<i>Interest Tranche</i>	<i>Interest Rate</i>	<i>Days in Interest Period¹</i>	<i>Principal Balance</i>	<i>Interest Due</i>
TrancheA-1				\$ _____
TrancheA-2				\$ _____
TrancheA-3				\$ _____
For all Tranches of SAC Bonds:				\$ _____

	<i>Required Level</i>	<i>Funding Required</i>
ix. Capital Subaccount		

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; Independent Manager Fee	\$ _____
iv. Operating Expenses	\$ _____
v. Periodic Interest (including any past-due for prior periods)	\$ _____

<i>Tranche</i>	<i>Aggregate</i>	<i>Per \$1000 of Original Principal Amount</i>
1. Tranche A-1 Interest Payment	\$ _____	\$ _____
2. Tranche A-2 Interest Payment	\$ _____	\$ _____
3. Tranche A-3 Interest Payment	\$ _____	\$ _____
	\$ _____	

vi. Principal Due and Payable as a Result of an Event of Default or on Final Maturity Date \$ _____

<i>Tranche</i>	<i>Aggregate</i>	<i>Per \$1000 of Original Principal Amount</i>
1. Tranche A-1 Principal Payment	\$ _____	\$ _____
2. Tranche A-2 Principal Payment	\$ _____	\$ _____
3. Tranche A-3 Principal Payment	\$ _____	\$ _____
	\$ _____	

vii. Periodic Principal \$ _____

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.

<u>Tranche</u>	<u>Aggregate</u>	<u>Per \$1000 of Original Principal Amount</u>
Tranche A-1 Principal Payment	\$ _____	\$ _____
Tranche A-2 Principal Payment	\$ _____	\$ _____
Tranche A-3 Principal Payment	\$ _____	\$ _____
viii. Other unpaid fees, expenses and indemnity amounts owed to the Indenture Trustee		\$ _____
viii. Other unpaid Operating Expenses		\$ _____
viii. Funding of Capital Subaccount (to required level)		\$ _____
ix. Return on Invested Capital released to APCo		\$ _____
x. Deposit to Excess Funds Subaccount		\$ _____
xi. Released to Issuer upon Retirement of all Bonds		\$ _____
xii. Aggregate Remittances as of Current Payment Date		\$ _____

Subaccount Withdrawals as of Current Payment (if applicable, pursuant to Section 8.02(f) of Indenture):

i. Excess Funds Subaccount	\$ _____
ii. Capital Subaccount	\$ _____
iii. Total Withdrawals	\$ _____

*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	\$ _____
Tranche A-2	\$ _____
Tranche A-3	\$ _____
Aggregate Outstanding Amount of all Tranches of SAC Bonds:	\$ _____
Excess Funds Subaccount Balance	\$ _____
Capital Subaccount Balance	\$ _____
Aggregate Collection Account Balance	\$ _____

EXHIBIT B

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	\$ _____
Tranche A-3 Interest Payment	\$ _____
	\$ _____
ii. Semi-annual Principal	
Tranche A-1 Principal Payment	\$ _____
Tranche A-2 Principal Payment	\$ _____
Tranche A-3 Principal Payment	\$ _____
	\$ _____

Shortfalls in Required Subaccount Levels as of Current Payment Date

ii. Capital Subaccount	\$ _____
------------------------	----------

EXHIBIT B

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Servicer's Certificate this __ day of _____.

APPALACHIAN POWER COMPANY,
as Servicer

By: _____
Name:
Title:

EXHIBIT B

EXHIBIT C-1

REGULATION AB SERVICER'S CERTIFICATE

The undersigned hereby certifies that he/she is the duly elected and acting †_____† of †APPALACHIAN POWER COMPANY†, as servicer (the "Servicer") under the Securitized Asset Cost Property Servicing Agreement dated as of May 27, 2026 (the "Servicing Agreement") between the Servicer and APPALACHIAN POWER RECOVERY 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 Sponsor's annual report on Form 10-K Report (such fiscal year, the "Assessment Period"):

<u>Reference</u>	<u>Servicing Criteria</u> <u>Criteria</u>	<u>Applicable</u> <u>Servicing Criteria</u>
	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; documents do not require a fidelity bond or errors and omissions policy.

<u>Reference</u>	<u>Servicing Criteria</u> <u>Criteria</u>	<u>Applicable</u> <u>Servicing Criteria</u>
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 (2) 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 the Securities Intermediary 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 Securities Intermediary.
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;	Applicable; assessment below.

EXHIBIT C-1

<u>Reference</u>	<u>Servicing Criteria</u> <u>Criteria</u>	<u>Applicable</u> <u>Servicing Criteria</u>
	(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 ninety (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 SEC, are maintained in accordance with the transaction agreements and applicable SEC 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 SEC 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 (2) 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.

<u>Reference</u>	<u>Servicing Criteria</u> <u>Criteria</u>	<u>Applicable</u> <u>Servicing Criteria</u>
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 SAC Property are contemplated or allowed under the transaction documents.
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 (2) 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 (SAC 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 the Financing Order and Commission 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.

EXHIBIT C-1

<u>Reference</u>	<u>Servicing Criteria</u> <u>Criteria</u>	<u>Applicable</u> <u>Servicing Criteria</u>
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; SAC Charges are not interest bearing instruments.
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 thirty (30) calendar days of full repayment of the related pool asset, or such other number of days specified in the transaction agreements.	Not applicable.
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 thirty (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 (2) 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.

EXHIBIT C-1

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 Sponsor'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 Sponsor's annual report on Form 10-K.

Executed as of this _____ day of _____, _____.

{APPALACHIAN POWER COMPANY}

By: _____
Name:
Title:

EXHIBIT C-1

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 Securitized Asset Cost Property Servicing Agreement dated as of May 27, 2026 (the “Servicing Agreement”) between the Servicer and APPALACHIAN POWER RECOVERY FUNDING LLC, as issuer (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

Annex A to Exhibit C-2

SCHEDULE 4.01(a)

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

DATE	Tranche A-1	Tranche A-2	Tranche A-3
Closing Date	\$ 450,000,000.00	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-27	\$ 414,951,569.00	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-27	\$ 393,375,219.93	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-28	\$ 371,291,610.89	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-28	\$ 348,688,816.20	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-29	\$ 325,554,629.81	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-29	\$ 301,876,558.70	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-30	\$ 277,641,816.14	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-30	\$ 252,837,314.78	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-31	\$ 227,449,659.59	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-31	\$ 201,465,140.63	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-32	\$ 174,869,725.63	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-32	\$ 147,649,052.42	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-33	\$ 119,788,421.18	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-33	\$ 91,272,786.50	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-34	\$ 62,086,749.25	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-34	\$ 32,214,548.26	\$ 325,500,000.00	\$ 600,000,000.00
1-Apr-35	\$ 1,640,051.83	\$ 325,500,000.00	\$ 600,000,000.00
1-Oct-35	\$ 0.00	\$ 295,846,748.99	\$ 600,000,000.00
1-Apr-36	\$ 0.00	\$ 263,728,484.31	\$ 600,000,000.00
1-Oct-36	\$ 0.00	\$ 230,758,443.25	\$ 600,000,000.00
1-Apr-37	\$ 0.00	\$ 196,914,036.70	\$ 600,000,000.00
1-Oct-37	\$ 0.00	\$ 162,172,076.49	\$ 600,000,000.00
1-Apr-38	\$ 0.00	\$ 126,508,759.50	\$ 600,000,000.00
1-Oct-38	\$ 0.00	\$ 89,899,651.34	\$ 600,000,000.00
1-Apr-39	\$ 0.00	\$ 52,319,669.63	\$ 600,000,000.00
1-Oct-39	\$ 0.00	\$ 13,743,066.81	\$ 600,000,000.00
1-Apr-40	\$ 0.00	\$ 0.00	\$ 574,143,412.48
1-Oct-40	\$ 0.00	\$ 0.00	\$ 533,432,295.21
1-Apr-41	\$ 0.00	\$ 0.00	\$ 491,545,033.76
1-Oct-41	\$ 0.00	\$ 0.00	\$ 448,447,649.33
1-Apr-42	\$ 0.00	\$ 0.00	\$ 404,105,181.46
1-Oct-42	\$ 0.00	\$ 0.00	\$ 358,481,659.69
1-Apr-43	\$ 0.00	\$ 0.00	\$ 311,540,074.38
1-Oct-43	\$ 0.00	\$ 0.00	\$ 263,242,346.67
1-Apr-44	\$ 0.00	\$ 0.00	\$ 213,549,297.61
1-Oct-44	\$ 0.00	\$ 0.00	\$ 162,420,616.36
1-Apr-45	\$ 0.00	\$ 0.00	\$ 109,814,827.51
1-Oct-45	\$ 0.00	\$ 0.00	\$ 55,689,257.42
1-Apr-46	\$ 0.00	\$ 0.00	\$ 0.00

ANNEX I
SERVICING PROCEDURES

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 Securitized Asset Cost 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 SAC Charges” means the amounts of SAC Charges billed by the Servicer.

“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, rates or charges that it services for itself and, if applicable, others.

SECTION 2. DATA ACQUISITION.

(a) Installation and Maintenance of Meters. 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.

(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 Commission Regulations and customary practices and procedures.

(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 as a result of new metering and/or billing technologies.

SECTION 3. USAGE AND BILL CALCULATION.

The Servicer shall (a) 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 Commission Regulations) at least once each Billing Period; and (b) determine therefrom each Customer’s individual SAC Charges to be included on Bills issued by it to such Customer for billing such Customer.

SECTION 4. BILLING.

The Servicer shall implement the SAC Charges as of the Closing Date and shall thereafter bill each Customer, or, with respect to such Customers billed by a Third-Party Collector, the Third-Party Collector for the respective Customer's outstanding current and past due SAC Charges accruing through the date on which the SAC Charges may no longer be billed, 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 a Third-Party Collector is responsible for billing a Customers, to the Third-Party Collector for such Customers' SAC 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 or Third-Party Collectors, as applicable. 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.

(b) Format.

(i) Each Bill issued by the Servicer shall contain the charge corresponding to the respective SAC Charges owed by such Customer for the applicable Billing Period. The Servicer shall comply with the requirements of the Financing Order with respect to the identification of SAC Charges on Bills to ensure that each Customer's bill contains: the portion of SAC Charges applicable to the rate class and a separate line item including both the base rate of the customer's electricity and the amount of the SAC Charge are present and identifiable on the Customer's Bill as required by Section 4.01(d)(iii)(B) of the Servicing Agreement.

(ii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to its Customers in accordance with, if applicable, the Financing Order and any other Commission Regulations. To the extent that Bill format, structure and text are not prescribed by the Financing Order, the Securitization Law or by applicable Commission Regulations, the Servicer shall, subject to clause (i) 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.

Schedule 4.01(a)

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 its 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 SAC Charges 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 its Customers in accordance with applicable Commission Regulations and Servicer Policies and Practices.
- (B) The Servicer shall apply late payment charges to outstanding Customer balances in accordance with applicable Commission 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 Commission Regulations and Servicer Policies and Practices.
- (D) The Servicer shall adhere to and carry out disconnection policies in accordance with the Securitization Law, the Financing Order, applicable Commission Regulations and the Servicer Policies and Practices.
- (E) The Servicer may employ the assistance of collection agents to collect any past-due SAC Charges in accordance with applicable Commission Regulations and Servicer Policies and Practices.
- (F) The Servicer shall apply Customer deposits to the payment of delinquent accounts in accordance with applicable Commission 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; 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 SAC Charges, in accordance with its Servicer Policies and Practices, that have remained outstanding for one hundred eighty (180) days or more.

Schedule 4.01(a)

(iii) The Servicer shall accept payment from its Customers in respect of Billed SAC Charges in such forms and methods and at such times and places as it accepts for payment of its own charges.

(b) Payment Processing; Allocation; Priority of Payments.

(i) The Servicer shall post all payments received in respect of the Billed SAC Charges to the applicable Customer accounts as promptly as practicable, and, in any event, substantially all such payments shall be posted no later than three (3) Business Days after such payments are actually received by Servicer.

(ii) Subject to clause (iii) below, the Servicer shall apply payments received to each Customer's account in proportion to the charges contained on the outstanding Bill to such Customer.

(iii) So long as the Intercreditor Agreement is in effect, the Servicer shall allocate, or cause to be allocated, amounts owed to the Issuer and to the other recipients of remittances described therein in accordance with the terms of the Intercreditor Agreement. Any amounts collected by the Servicer that represent partial payments of, (A) if the Intercreditor Agreement remains in effect, the portion of the Bill allocable to SAC Charges pursuant to the terms of the Intercreditor Agreement, or (B) otherwise, the total Bill to a Customer, in each case shall be allocated as follows: (1) first to amounts owed to the Issuer, the Servicer and any other affiliate of the Servicer which is owed "securitized asset cost charges" as defined in Section § 56-249.8.A. 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 or applicable portion thereof, as applicable; then (2) all late charges shall be allocated to the Servicer.

(iv) The Servicer shall hold all over-payments received by such Servicer for the benefit of the Issuer and APCo and shall apply such funds to future Bill charges in accordance with clauses (ii) and (iii) (as applicable) as such charges become due.

(v) For Customers on a Budget Billing Plan, the Servicer shall treat SAC Charge Payments received from such Customers as if such Customers had been billed for their respective SAC Charges in the absence of the Budget Billing Plan; partial payment of a Budget Billing Plan payment shall be allocated according to clauses (ii) and (iii) (as applicable) 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 SAC 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 SAC Property and the amounts from time to time remitted to the Collection Account in respect of the SAC Property and (ii) to permit the SAC Charge 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 SAC Charge Collections commingled with the Servicer's funds may be properly identified and traced.

Schedule 4.01(a)

(d) Investment of SAC Charge Payments Received.

Prior to each Daily Remittance, the Servicer may invest SAC Charge Payments received at its own risk and (except as required by applicable Commission Regulations) for its own benefit. So long as the Servicer complies with its obligations under Section 6(c) of this Annex I, 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 SAC Charges shall be estimated to be collected the same number of days after billing as is equal to the Weighted Average Days Outstanding then in effect (or, if such resulting day is not a Servicer Business Day, on the next Servicer Business Day) 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 SAC Charges 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 SAC Charge Collections for such Servicer Business Day. Pursuant to Section 6.11(e) of the Agreement, the Servicer shall calculate in each Monthly Servicer's Certificate the amount of Actual SAC Charge Collections for the immediately preceding calendar month as compared to the Estimated SAC Charge 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 SAC Bonds. The Servicer and the Issuer further acknowledge and agree that the amount of the variances between Actual SAC Charge Collections and Estimated SAC Charge Collections are expected to be small and are not expected to be biased in favor of over-remittances or under-remittances. Consequently, so long as the Servicer faithfully makes all daily remittances based on Weighted Average Days Outstanding, as provided for herein, the Servicer and the Issuer agree that no actual or deemed investment earnings shall be payable in respect of such over-remittances or under-remittances.

(ii) 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.

Schedule 4.01(a)

(iii) The Servicer and the Issuer acknowledge that, as contemplated in Section 8.01(d) 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 SAC Charge 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 Estimated SAC Charge Collections so 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 soon as practicable, and in no event later than sixty (60) Servicer Business Days after the date on which all Customer accounts are being billed under such new system, the Servicer shall notify in writing 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 SAC Charge Collections pursuant to this Section 6(e) shall be made in good faith, and in the case of any update pursuant to clause (iii) 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.

Schedule 4.01(a)

SECURITIZED ASSET COST PROPERTY PURCHASE AND SALE AGREEMENT

by and between

APPALACHIAN POWER RECOVERY FUNDING LLC,

Issuer

and

APPALACHIAN POWER COMPANY,

Seller

Dated as of May 27, 2026

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**SECURITIZED ASSET COST PROPERTY PURCHASE AND SALE
AGREEMENT**

This SECURITIZED ASSET COST PROPERTY PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of May 27, 2026, is between Appalachian Power Recovery Funding LLC, a Delaware limited liability company (the "Issuer"), and Appalachian Power Company, a Virginia corporation (together with its successors in interest to the extent permitted hereunder, the "Seller").

RECITALS

WHEREAS, the Issuer desires to purchase the SAC Property created by the Financing Order pursuant to the Securitization Law;

WHEREAS, the Seller is willing to sell its rights and interests under the Financing Order to the Issuer, whereupon, subject to the pledge thereto to secure the SAC Bonds, such rights and interests will become the SAC Property;

WHEREAS, the Issuer, in order to finance the purchase of the SAC Property, will issue the SAC Bonds under the Indenture; and

WHEREAS, the Issuer, to secure its obligations under the SAC Bonds and the Indenture, will pledge, among other things, all right, title and interest of the Issuer in and to the SAC 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 among the Issuer, U.S. Bank Trust Company, National Association, a national banking association, in its capacity as indenture trustee (the "Indenture Trustee"), and U.S. Bank National Association, a national banking association, in its capacity as 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 SAC 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.

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 terms “includes” and “including” shall mean “includes without limitation” and “including without limitation,” respectively.

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(d) Non-capitalized terms used herein which are defined in the Securitization Law, as the context requires, have the meanings assigned to such terms in the Securitization Law, but without giving effect to amendments to the Securitization Law after the date hereof which have a material adverse effect on the Issuer or the Bondholders.

ARTICLE II
CONVEYANCE OF SAC PROPERTY

SECTION 2.01. Conveyance of SAC Property. (a) In consideration of the Issuer’s delivery to or upon the order of the Seller of \$1,364,256,421.55 (the “Purchase Price”), subject to the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, assign, and otherwise transfer to the Issuer, without recourse or warranty, except as set forth herein, all right, title and interest of the Seller in and to the SAC Property (such sale, assignment, and transfer of the SAC Property includes, to the fullest extent permitted by the Securitization Law, the irrevocable right to impose, bill, charge, collect and receive SAC Charges and the assignment of all revenues, collections, claims, rights to payments, payments, moneys or proceeds of or arising from the SAC Charges related to the SAC Property, as the same may be adjusted from time to time). Such sale, assignment, and transfer is hereby expressly stated to be a sale and, pursuant to Section 56-249.8:E.3.a of the Securitization Law and other applicable law, shall be an absolute transfer and true sale of, and not a pledge of, or secured transaction relating to, the Seller’s right, title and interest in, to and under the SAC Property. The Seller and the Issuer agree that after giving effect to the sale, assignment, and transfer contemplated hereby the Seller has no right, title or interest in or to the SAC Property to which a security interest could attach because: (i) it has sold, assigned, and transferred all right, title and interest in and to the SAC Property to the

Issuer; (ii) as provided in Section 56-249.8:E.1.a. of the Securitization Law and the Financing Order, such rights to impose, bill, charge, collect and receive SAC Charges are existing, present intangible property rights which will be created simultaneously when such rights are first transferred to an assignee and pledged in connection with the issuance of the SAC Bonds; (iii) appropriate notice has been filed in accordance with the rules prescribed by the Secretary of State; and (iv) as provided in Section 56-249.8:E.2.c. such transfer of an interest in SAC Property to an assignee is perfected against all third parties, including subsequent judicial or other lien creditors or any claims of the Seller or creditors of the Seller. If such sale, assignment and transfer is held by any court of competent jurisdiction not to be a true sale as provided in Section 56-249.8:E of the Securitization Law, then such sale, assignment and transfer shall be treated as a pledge of the SAC Property and as the creation of a security interest (within the meaning of the Securitization Law and the UCC) in the SAC Property and, without prejudice to its position that it has absolutely transferred all of its rights in the SAC Property to the Issuer, the Seller hereby grants a security interest in the SAC 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 SAC Charges and all other SAC Property.

(b) Subject to Section 2.02, the Issuer does hereby purchase the SAC Property from the Seller for the consideration set forth in Section 2.01(a).

SECTION 2.02. Conditions to Conveyance of SAC Property. The obligation of the Issuer to purchase SAC 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 SAC 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 SAC Property;

(iii) as of the Closing Date, the Seller is not insolvent and will not have been made insolvent by such sale of the SAC Property 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 SAC Property to be conveyed on such date and (B) all conditions to the issuance of the SAC 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 SAC 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 making any filings pursuant to 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 SAC Bond Collateral and to maintain such security interest as of such date;

(vii) the Seller shall have delivered to (A) the Rating Agencies and the Issuer any Opinions of Counsel required by the Rating Agencies and (B) the Indenture Trustee any Opinions of Counsel required by the Indenture Trustee;

(viii) on and as of the Closing Date, each of the LLC Agreement, the Servicing Agreement, the Administration Agreement, the Intercreditor Agreement, this Agreement, the Indenture, the Financing Order, the Securitization Financing Rider and the Securitization Law shall be in full force and effect;

(ix) the SAC Bonds shall have received a rating or ratings required by the Financing Order;

(x) on the Closing Date the Seller shall have received the Purchase Price in immediately available funds;

(xi) the Issuance Advice Letter shall have been provided to the Commission in accordance with the Financing Order, and the Commission shall not have issued a disapproval letter directing that the SAC Bonds not be issued; and

(xii) 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 Section 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 SAC Property. The representations and warranties shall survive the sale and transfer of SAC 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 owned on the Closing Date and to conduct its business as such business is conducted by it on the Closing Date, 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.

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 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 bankruptcy, 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 by the Seller of the transactions contemplated by this Agreement and the fulfillment by the Seller of the terms hereof do 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, mortgage, credit agreement 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 Secured Parties pursuant to the Securitization Law or any Lien that may be granted under the Basic Documents); or (iii) violate in any material respect 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 SAC Bonds; (ii) seeking to prevent the issuance of the SAC 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 SAC Bonds; or (iv) seeking to adversely affect the federal income tax or state income or franchise tax classification of the SAC Bonds as debt.

SECTION 3.07. Approvals. Except for UCC financing statement filings under the UCC and 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 SAC 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 SAC 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 U.S. federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes) the transfer and assignment herein contemplated constitutes an absolute transfer and true of the SAC Property from the Seller to the Issuer and that no interest in, or right or title to, the SAC 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 SAC 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 SAC 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 UCC financing statement against it that includes a description of collateral including the SAC Property other than: (i) any financing statement filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents; and (ii) any financing statement being amended in connection with the Intercreditor Agreement to expressly exclude the SAC Property from the description of collateral. 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 SAC Property hereunder, the Seller is the original and the sole owner of the SAC 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 SAC Property shall be validly transferred, sold, conveyed, and assigned to the Issuer, and the Issuer shall own all the SAC Property free and clear of all Liens (except for any Lien created in favor of the Indenture Trustee, for the benefit of the Secured Parties, granted under the Indenture and perfected pursuant to the Securitization Law or any Lien that may be granted under the Basic Documents) and all filings and actions to be made or taken by the Seller (including, without

limitation, filings with the Secretary of State 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 the Securitization Law and any Lien that may be granted under the Basic Documents) in the SAC Property have been made or taken. All filings and action have also been made or taken to perfect the security interest in the SAC Property granted by the Seller to the Issuer (subject to any Lien created in favor of the Indenture Trustee, for the benefit of the Secured Parties, pursuant to the Indenture and perfected pursuant to 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 and Issuance Advice Letter and Securitization Financing Rider; Other Approvals. On the Closing Date, under the laws of the Commonwealth of Virginia 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, bill, charge, collect and receive the SAC Charge and, in and to the SAC 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 SAC Bonds, the SAC Bonds are entitled to the protection of the Securitization Law and, accordingly, the Financing Order, the SAC Charges and the Issuance Advice Letter are not revocable by the Commission; (iii) as of the issuance of the SAC Bonds, the SAC Charges are in full force and effect and not subject to modification by the Commission except as provided under Section 56-249.8:K of the Securitization Law; (iv) the process by which the Financing Order creating the SAC Property transferred on such date was adopted and approved, and the Financing Order and the Issuance Advice Letter and Securitization Financing Rider themselves, comply with all applicable laws, rules and regulations; (v) the Issuance Advice Letter and the Securitization Financing Rider relating to the SAC Property transferred on such date have been filed in accordance with the Financing Order creating the SAC Property transferred on such date and an officer of the Seller has provided the certification to the Commission 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 SAC Property transferred on such date, except those that have been obtained or made.

(e) State Action. The Commonwealth of Virginia has pledged pursuant to Section 56-249.8:K. of the Securitization Law that it will not take any action to: (i) alter the provisions of the Securitization Law that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of the Financing Order, to create securitized asset cost property in the form of SAC Property, and to make the securitized asset cost charges imposed by the Financing Order in the form of the SAC Charges irrevocable, binding, or non-bypassable charges; (ii) take or permit any action that impairs or would impair the value of the SAC Property or the security for the SAC Bonds or revises the Securitized Asset Costs for which recovery is authorized; (iii) in any way impair the rights and remedies of the Bondholders, assignees, and other financing parties related thereto; or (iv) except as permitted as permitted by Section 56-249.8:K.1.d. of the Securitization Law, reduce, alter, or impair SAC Charges that are to be imposed, billed, charged, collected, and remitted for the benefit of such Bondholders, assignees, and financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related SAC Bonds have been paid and performed in full. Under the laws of the Commonwealth of Virginia and the United States, the Commonwealth of Virginia 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 SAC 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 SAC Property, unless such action is a reasonable exercise of the sovereign powers of the Commonwealth of Virginia and of a character reasonable and appropriate to further a legitimate public purpose, and, under the takings clauses of the United States and Virginia Constitutions, the Commonwealth of Virginia could not repeal or amend the Securitization Law or take any other action in contravention of the State 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 SAC Property and deprive the Holders of their reasonable expectations arising from their investments in the SAC 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 SAC Bonds.

(f) Assumptions. On the Closing Date, based upon the information available to the Seller on such date, the assumptions used in calculating the SAC 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 SAC Charges will in fact be sufficient to meet the payment obligations on the related SAC Bonds or that the assumptions used in calculating such SAC Charges will in fact be realized.

(g) Creation of SAC Property. Upon the effectiveness of the Financing Order and the Issuance Advice Letter with respect to the SAC Property, and the transfer of the SAC Property pursuant to this Agreement and the filing of the appropriate notice of transfer with the Secretary of State: (i) the rights and interests of the Seller under the Financing Order, including the right to impose, bill, charge, collect and receive the SAC Charges authorized in the Financing Order, will become “securitized asset cost property” in accordance with Section 56.249.8:E.1.a, of the Securitization Law and as defined in the Financing Order; (ii) the SAC Property will constitute an existing, present intangible property right or interest therein vested in the Issuer; (iii) the SAC Property will include (A) the right, title and interest of the Seller in the Financing Order and the SAC Charges and (B) the right to 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 SAC Charges, and the rates and other charges authorized by the Financing Order and all revenues, collections, claims, rights to payments, payments, money or proceeds of or arising from the SAC Charges related to the SAC Property; (iv) the owner of the SAC Property will be legally entitled to impose, bill, charge, collect and receive SAC Charges in the aggregate sufficient to pay the interest on and principal of the SAC Bonds in accordance with the Indenture, to pay the fees and expenses of servicing the SAC Bonds, to replenish the Capital Subaccount to the Required Capital Level until the SAC Bonds are paid in full or until the last date permitted for the collection of payments in respect of the SAC Charges under the Financing Order, whichever is earlier, and the Customer Class allocation percentage methodology in the Financing Order does not prohibit the owner of the SAC Property from obtaining adjustments and effecting allocations to the SAC Charges in order to collect payments of such amounts; and (v) the SAC 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 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 SAC 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 May 19, 2026 relating to the SAC Bonds is true and correct in all material respects.

(j) Solvency. After giving effect to the sale of the SAC 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 portion of its 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 SAC Property or the SAC 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 SAC 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 SAC 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 jurisdiction in which it operates, 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 conveyance hereunder or any Lien pursuant to the Indenture, or otherwise under 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 SAC 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 SAC Property against all claims of third parties claiming through or under the Seller. APCo, in its capacity as Seller, will not at any time assert any Lien against, or with respect to, any of the SAC Property.

SECTION 4.03. Delivery of Collections. In the event that the Seller receives any SAC Charge Collections or other payments in respect of the SAC 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: (a) any future sale agreement selling to any other Affiliate property consisting of charges similar to the SAC Charge sold pursuant to this Sale Agreement, payable by Customers pursuant to the Securitization Law or any similar law; or (b) another future trade receivables purchase and sale arrangement or similar arrangement, or an extension to any such existing arrangement, under which Seller sells all or any portion of its accounts receivables, in each case the Seller and the other parties to such arrangement shall enter into an amendment or joinder to the Intercreditor Agreement to acknowledge the rights of the Seller, the Issuer and any future seller and issuer.

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 SAC Property, other than the conveyance hereunder and any Lien pursuant to the Basic Documents, including the Lien in favor of the Indenture Trustee for the benefit of the Secured Parties.

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 the Seller, 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 SAC Property or under any of the other Basic Documents to which the Seller is a party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which the Seller is a party.

SECTION 4.06. Covenants Related to SAC Bonds and SAC Property.

(a) So long as any of the SAC Bonds are outstanding, the Seller shall treat the SAC Property as the Issuer's property for all purposes other than financial reporting, state or federal regulatory or tax purposes, and treat the SAC 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 U.S. 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 SAC Bonds are outstanding, the Seller agrees to treat the SAC Bonds as indebtedness of the Seller (as the sole owner of the Issuer) secured by the SAC Bond Collateral unless otherwise required by appropriate taxing authorities.

(c) So long as any of the SAC Bonds are outstanding, the Seller shall disclose in its financial statements that the Issuer and not the Seller is the owner of the SAC 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 SAC Bonds are outstanding, the Seller shall not own or purchase any SAC Bonds.

(e) So long as the SAC 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 SAC Property to the Issuer pursuant to this Agreement, (i) to the fullest extent permitted by law, including, applicable Commission's Regulations and the Securitization Law, the Issuer shall have all of the rights originally held by the Seller with respect to the SAC 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 in respect of the SAC 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 directly to the Issuer shall discharge such Customer's obligations, if any, in respect of the SAC 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 SAC Bonds are outstanding, (i) in all proceedings relating directly or indirectly to the SAC 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 SAC 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 SAC 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 “securitized asset cost property” or other similar property under a separate “financing order” in connection with the issuance of additional “securitized asset cost bonds” (each term as defined in the Securitization Law) 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 (if applicable) and file such filings, including, without limitation, filings with the Secretary of State pursuant to the Securitization Law, and cause to be executed (if applicable) 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 SAC 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 SAC Property by the Seller to the Issuer or the pledge of the Issuer’s interest in the SAC 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 Commission, the Commonwealth of Virginia 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. 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 SAC Bonds or any other amounts owed under the Indenture, petition or otherwise invoke or cause the Issuer to invoke 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, 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 SAC Bonds are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues 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 SAC 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 Commission.

SECTION 4.11. Securitization Financing Rider. The Seller hereby agrees to make all reasonable efforts to the keep Securitization Financing Rider in full force and effect at all times.

SECTION 4.12. Notice of Breach to Rating Agencies, etc.. Promptly after a Responsible Officer of the Seller obtains actual 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 Commission and the Rating Agencies of such breach (with prior written notice to the Servicer in order to enable compliance with Section 8.13 of the Servicing Agreement). For the avoidance of doubt, any breach which would adversely affect scheduled payments on the SAC 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 SAC 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 SAC Bond) that may at any time be imposed on or asserted against any such Person under existing law as of the Closing Date as a result of the sale of the SAC Property by the Seller to the Issuer, the Issuer's acquisition or holding of the SAC Property, or the issuance and sale by the Issuer of the SAC Bonds, 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 SAC Bond, in the event and to the extent such taxes are not recoverable as Ongoing Financing Costs; 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 in accordance with the Indenture.

(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 SAC 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 SAC Property, the issuance and sale by the Issuer of the SAC 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 SAC Bond; it being understood that the Holders shall be entitled to enforce their rights against the Seller under this Section 5.01(c) solely through a cause of action brought for their benefit by the Indenture Trustee in accordance with the Indenture.

(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 Section 5.01(b), Section 5.01(c), Section 5.01 (d) and Section 5.01 (f) shall include reasonable and documented 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 in any material respect 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 in writing 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 (by operation of law or otherwise); (b) that may result from any merger, conversion or consolidation to which the Seller shall be a party; (c) that may succeed to the properties and assets of the Seller substantially as a whole; (d) which is a successor entity resulting from the division of the Seller into two or more Persons; 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), 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 (a "Permitted Successor") 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 by the Seller pursuant to Article III or Article IV shall be breached in any material respect and, to the extent the Seller is the Servicer, 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, conversion, 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 Commission pursuant to the Securitization Law, have been authorized, executed (if applicable) and filed that are necessary to fully preserve and protect the respective ownership or security interest, as applicable, of the Issuer and the Indenture Trustee in all of the SAC 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 preserve and protect such interests,

(iv) the Seller shall have delivered to the Issuer, the Indenture Trustee and the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger, division or succession and such agreement of assumption will not result in a material U.S. federal income tax consequence to the Issuer or the Holders of SAC 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 8.13 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) 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.

(a) This Agreement may be amended in writing by the Seller and the Issuer with ten (10) Business Days' prior written notice given to the Rating Agencies: (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 of the Seller delivered to the Issuer and the Indenture Trustee, adversely affect in any material respect the interests of any Holder without the consent of the Holders of not less than a majority of the outstanding principal amount of the SAC Bonds; 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.

(b) 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; and (iii) if any amendment would adversely affect in any material respect the interest of any Holder of the SAC Bonds, the consent of the Holders of not less than a majority of the outstanding principal amount of the SAC Bonds. In determining whether a majority of Holders have consented, SAC 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 SAC 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.

(c) It shall not be necessary for the consent of Holders pursuant to this Section 6.01 to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Prior to executing, or consenting to, any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to request and rely upon an Officer's Certificate or Opinion of Counsel stating that such amendment is authorized or permitted by this Agreement and that all conditions precedent provided for in this Agreement relating to such amendment have been satisfied. 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 Seller or the Issuer and other documents necessary and advisable in the judgment of counsel delivering such opinion. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into or consent to, as applicable, any such amendment which affects such Person's own rights, duties, liabilities or immunities under this Agreement or otherwise.

SECTION 6.02. Notices. All demands, notices and communications upon or to the Seller, the Issuer, the Indenture Trustee, the Commission or the Rating Agencies under this Agreement shall be sufficiently given for all purposes hereunder if in writing, and delivered personally, mail by certified mail, postage prepaid, sent by documented delivery service or, to the extent receipt is confirmed, sent by email or other form of electronic transmission:

(a) in the case of the Seller, to Appalachian Power Company, at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer, Telephone: (614) 716-1000, Email: Treasury_Operations_AEP@aep.com;

(b) in the case of the Issuer, Appalachian Power Recovery Funding LLC, at 1051 East Cary St., Suite 1100, Richmond, Virginia 23219, Attention: Managers, Telephone: (614) 716-1000, Email: Treasury_Operations_AEP@aep.com;

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) in the case of the Commission, to State Corporation Commission of the Commonwealth of Virginia, 1300 East Main Street, 10th Floor, Tyler Building, Richmond, Virginia 23219, Telephone: (804) 371-9733, Email: sccfile@sc.virginia.gov;

(e) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 24th 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: abscomonitoring@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 6.03. 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 6.04. 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 SAC Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

SECTION 6.05. Severability; Electronic Signatures. 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. Each party hereto agrees that this Agreement may be electronically signed, that any digital or electronic signatures appearing on this Agreement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Agreement may be made by facsimile, email or other electronic transmission.

SECTION 6.06. 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 6.07. 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 6.08. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA, 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 6.09. 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 SAC 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 6.10. 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 6.11. 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 or extension delivered by the Issuer shall be effective unless the Indenture Trustee (acting at the written direction of the Holders of a majority of the Outstanding Amount of the Bonds) 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.

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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.

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as Issuer

By: /s/ Franz D. Messner
Name: Franz D. Messner
Title: Manager

APPALACHIAN POWER COMPANY,
as Seller

By: /s/ Matthew D. Fransen
Name: Matthew D. Fransen
Title: Vice President and Treasurer

ACKNOWLEDGED AND ACCEPTED:

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,** as Indenture Trustee

By: /s/ Matthew M. Smith
Name: Matthew M. Smith
Title: Vice President

*Signature Page to
Securitized Asset Cost Property Purchase and Sale Agreement*

EXHIBIT A
FORM OF
BILL OF SALE

1. This Bill of Sale is being delivered pursuant to the Securitized Asset Cost Property Purchase and Sale Agreement, dated as of May 27, 2026 (the “Sale Agreement”), by and between Appalachian Power Company (the “Seller”) and Appalachian Power Recovery 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.

2. In consideration of the Issuer’s delivery to or upon the order of the Seller of \$1,364,256,421.55, the Seller does hereby irrevocably sell, assign and transfer 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 SAC Property identified on Schedule 1 hereto (such sale, assignment, and transfer of the SAC Property includes, to the fullest extent permitted by the Securitization Law, the right to impose, bill, charge, collect and receive SAC Charges and the assignment of all revenues, collections, claims, rights to payments, payments, moneys or proceeds of or arising from the SAC Charges related to the SAC Property, as the same may be adjusted from time to time). Such sale, assignment, and transfer is hereby expressly stated to be a sale and, pursuant to Section 56-249.8:E.3.a of the Securitization Law and other applicable law, shall be an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the Seller’s right, title and interest in, to and under the SAC Property. The Seller and the Issuer agree that after giving effect to the sale, assignment, and transfer contemplated hereby the Seller has no right, title or interest in or to the SAC Property to which a security interest could attach because: (i) it has sold, assigned, and transferred all right, title and interest in and to the SAC Property to the Issuer; (ii) as provided in Section 56-249.8:E.1.a. of the Securitization Law, such rights to impose, bill, charge, collect and receive SAC Charges are existing, present intangible property rights which will be created simultaneously when such rights are first transferred to an assignee and pledged in connection with the issuance of the SAC Bonds; (iii) appropriate notice has been filed in accordance with the rules prescribed by the Secretary of State; and (iv) as provided in Section 56-249.8:E.2.c. such transfer of an interest in SAC Property to an assignee is perfected against all third parties, including subsequent judicial or other lien creditors or any claims of the Seller or creditors of the Seller. If such sale, assignment and transfer is held by any court of competent jurisdiction not to be a true sale as provided in Section 56-249.8:E of the Securitization Law, then such sale, assignment and transfer shall be treated as a pledge of the SAC Property and as the creation of a security interest (within the meaning of the Securitization Law and the UCC) in the SAC Property and, without prejudice to its position that it has absolutely transferred all of its rights in the SAC Property to the Issuer, the Seller hereby grants a security interest in the SAC 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 SAC Charges and all other SAC Property.

3. The Issuer does hereby purchase the SAC Property from the Seller for the consideration set forth in the preceding paragraph.

EXHIBIT A

4. The Seller and the Issuer each acknowledge and agree that the purchase price for the SAC Property sold pursuant to this Bill of Sale and the Sale Agreement is equal to its fair market value at the time of sale.

5. 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.

6. 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.

7. THIS BILL OF SALE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA, 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.

EXHIBIT A

IN WITNESS WHEREOF, the Seller and the Issuer have duly executed this Bill of Sale as of the 27th day of May, 2026.

APPALACHIAN POWER RECOVERY FUNDING LLC

By: _____
Name: Franz D. Messner
Title: Manager

APPALACHIAN POWER COMPANY

By: _____
Name: Matthew D. Fransen
Title: Vice President and Treasurer

EXHIBIT A

SCHEDULE 1
to
BILL OF SALE
SAC PROPERTY

All SAC Property created or arising under the Financing Order dated as of November 24, 2025, issued by the Commission in Case No. PUR-2025-00116 pursuant to the Securitization Law.

EXHIBIT A
4

ADMINISTRATION AGREEMENT

This ADMINISTRATION AGREEMENT, dated as of May 27, 2026 (this “Administration Agreement”), is entered into by and between APPALACHIAN POWER COMPANY (“APCo”), a Virginia corporation, as administrator (in such capacity, the “Administrator”), and APPALACHIAN POWER RECOVERY 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). Not all terms defined in Appendix A are used in this Administration Agreement. The rules of construction set forth in Appendix A shall apply to this Administration Agreement and are hereby incorporated by reference into this Administration Agreement as if set forth in this Administration Agreement.

WITNESSETH:

WHEREAS, the Issuer is issuing SAC Bonds pursuant to that certain Indenture (including Appendix A thereto) dated as of May 27, 2026 (as amended and supplemented by the Series Supplement dated as of May 27, 2026, the “Indenture”), by and between the Issuer and U.S. Bank Trust Company, National Association, a national banking association, not in its individual capacity but solely in its capacity as indenture trustee (the “Indenture Trustee”) and U.S. Bank National Association, a national banking association, not in its individual capacity but solely in its capacity as a securities intermediary (the “Securities Intermediary”), as the same may be amended, restated, supplemented or otherwise modified from time to time;

WHEREAS, the Issuer has entered into certain agreements in connection with the issuance of the SAC Bonds, including (i) the Indenture, (ii) the Securitized Asset Cost Property Servicing Agreement, dated as of May 27, 2026 (the “Servicing Agreement”), by and between the Issuer and APCo, as Servicer, (iii) the Securitized Asset Cost Property Purchase and Sale Agreement, dated as of May 27, 2026 (the “Sale Agreement”), by and between the Issuer and APCo, as Seller, and (iv) the other Basic Documents to which the Issuer is a party, relating to the SAC 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 “Initial Related Agreements”);

WHEREAS, pursuant to the Initial Related Agreements, the Issuer is required to perform certain duties in connection with the Initial Related Agreements, the SAC Bonds and the SAC Bond Collateral pledged to the Indenture Trustee pursuant to the Indenture;

WHEREAS, the Issuer may from time to time enter into and be required to perform certain duties under additional agreements similar to the Initial Related Agreements (together with the Initial Related Agreements, the “Related Agreements”);

WHEREAS, the Issuer has no employees, other than its officers and Managers (as defined below), 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) without duplication of the Servicers' obligations under the Servicing Agreement, 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 "SEC") and any applicable state agencies documents required to be filed by the Issuer with the SEC and any applicable state agencies, including, without limitation, periodic reports required to be filed under the Exchange Act, 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 (the "Managers") minutes of the meetings of the 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 (hereinafter defined) (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 behalf of the Issuer as are necessary for the issuance and delivery of the SAC 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 (acting at the written direction of the Holders representing at least a majority of the Outstanding Amount of the SAC Bonds);

(f) provide for the defense, at the direction of the 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 U.S. 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 APCo 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 semi-annual installments of \$50,000 on each Payment Date, which amount will be pro-rated for the first and final Payment Dates, plus out-of-pocket expenses of administering the Issuer and to preserve the integrity of the bankruptcy-remote structure of the Issuer and the high credit quality of the SAC Bonds. 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 APCo 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 Administrative 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 accountant's/auditor's fees and legal 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 SAC 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 or in this Administration Agreement, 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 directors, 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 SAC 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, the Indenture Trustee and the Rating Agencies 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, the Indenture Trustee and the Rating Agencies 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 and the Rating Agencies 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 Sections 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 Administrative 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 SAC 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 Sections 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 directors, 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 DIRECTORS, 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:

Appalachian Power Recovery Funding LLC
1051 East Cary St., Suite 1100
Richmond, Virginia 23219
Attention: Managers
Telephone: (614) 716-1000
Email: Treasury_Operations_AEP@aep.com

(b) if to the Administrator, to:

Appalachian Power Company
1 Riverside Plaza
Columbus, Ohio 43215
Attention: Treasurer
Telephone: (614) 716-1000
Email: Treasury_Operations_AEP@aep.com

(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. In the case of the Issuer or the Administrator, any notice required to be in writing hereunder shall be deemed given if such notice is (i) mailed by certified mail, postage prepaid, (ii) delivered by overnight courier, (iii) hand-delivered or (iv) transmitted by electronic transmission with a confirmation of receipt, in each case to the address of such party as provided above. In the case of the Indenture Trustee, any notice required hereunder shall be in writing and shall be effective pursuant to the terms of Section 10.04 of the Indenture.

13. Amendments. This Administration Agreement may be amended from time to time (without the consent of the Indenture Trustee or any of the Holders) by a written amendment duly executed and delivered by each of the Issuer and the Administrator with ten (10) Business Days' prior written notice given to the Rating Agencies to: (i) 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 from the Administrator 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) 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 and the satisfaction of the Rating Agency Condition; 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 SAC 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. 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 (acting at the written direction of the Holders of the SAC Bonds representing a majority of the Outstanding Amount of SAC Bonds) 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 14, the preceding Administrator shall automatically and without further notice be released from all of its obligations hereunder.

15. Governing Law. This Administration Agreement shall be construed in accordance with the laws of the Commonwealth of Virginia, 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.

16. 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.

17. Counterparts; Electronic Signatures. 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. Each party hereto agrees that this Administration Agreement may be electronically signed, that any digital or electronic signatures appearing on this Administration Agreement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Administration Agreement may be made by facsimile, email or other electronic transmission.

18. 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.

19. 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 SAC 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 U.S. 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.

20. 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 Administration 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.

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as Issuer

By: /s/ Franz D. Messner

Name: Franz D. Messner

Title: Manager

APPALACHIAN POWER COMPANY,
as Administrator

By: /s/ Matthew D. Fransen

Name: Matthew D. Fransen

Title: Vice President and Treasurer

*Signature Page to
Administration Agreement*

JOINDER TO INTERCREDITOR AGREEMENT
RELATING TO
SERIES 2026-A SENIOR SECURED SAC BONDS –
APPALACHIAN POWER RECOVERY FUNDING LLC

This JOINDER TO INTERCREDITOR AGREEMENT (this “Joinder”), dated as of May 27, 2026, is entered into by each of the following Persons, in its capacity(ies) specified below (each, an “Additional Party”), AEP CREDIT, INC., a Delaware limited liability company (the “Receivables Buyer”), and JPMorgan Chase Bank, N.A., as Administrative Agent for the Receivables Purchasers and as Control Agent under the Intercreditor Agreement (in such capacities, the “Agent”):

- Appalachian Power Company, a Virginia corporation, as a “Company”, “Securitization Property Servicer” and “Receivables Sub-Servicer”;
- Appalachian Power Recovery Funding LLC, a Delaware limited liability company, as a “Bond Issuer”; and
- U.S. Bank Trust Company, National Association, a national banking association, not in its individual capacity but solely in its capacity as an “Indenture Trustee”.

Reference is made to the Intercreditor Agreement, dated as of September 7, 2022, as amended and restated as of December 9, 2024 (the “Intercreditor Agreement”), by and among the Receivables Buyer, the Agent, each Company from time to time party thereto, each Bond Issuer from time to time party thereto and each Indenture Trustee from time to time party thereto. The defined terms contained in the Intercreditor Agreement are incorporated herein.

Each Additional Party hereby agrees (a) to become a party to the Intercreditor Agreement for all purposes thereof on the terms set forth therein in the capacity specified above; (b) to be bound by the terms of the Intercreditor Agreement as if such Additional Party had executed and delivered the Intercreditor Agreement as an original party thereto in such capacity; (c) the “Agency Agreement”, “Commission”, “Indenture”, “Purchase Agreement”, “Sale Agreement”, “Securitization Property”, “Securitization Charges” and “Servicing Agreement” specified on Schedule 1 to this Joinder shall constitute an Agency Agreement, Commission, Indenture, Purchase Agreement, Sale Agreement, Securitization Property, Securitization Charges and Servicing Agreement, respectively, for all purposes under the Intercreditor Agreement; and (d) any communications, including notices and instructions, with respect to such Additional Party may be given at the address for such Additional Party specified on Schedule 1 hereto.

The Indenture Trustee as an Additional Party under this Intercreditor Agreement and pursuant to Section 16 of the Intercreditor Agreement, is entitled to all the rights, benefits, protection, immunities, and indemnities afforded to it under the Indenture.

The provisions of Section 9 (*Governing Law; Jurisdiction; Waiver of Jury Trial*) of the Intercreditor Agreement will apply with like effect to this Joinder.

IN WITNESS WHEREOF, the parties have caused this Joinder to be executed by their respective officers thereunto duly authorized, as of the date first above written.

APPALACHIAN POWER COMPANY,
as a Company, a Securitization Property Servicer and a
Receivables Sub-Servicer

By: /s/ Matthew D. Fransen
Name: Matthew D. Fransen
Title: Vice President and Treasurer

**APPALACHIAN POWER RECOVERY FUNDING
LLC,**
as a Bond Issuer

By: /s/ Franz D. Messner
Name: Franz D. Messner
Title: Manager

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,** as an Indenture Trustee

By: /s/ Matthew M. Smith
Name: Matthew M. Smith
Title: Vice President

AEP CREDIT, INC.,
as Receivables Buyer

By: /s/ Matthew D. Fransen
Name: Matthew D. Fransen
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Control Agent

By: /s/ John M. Kuhns
Name: John M. Kuhns
Title: Executive Director

*Signature Page to
Joinder to Intercreditor Agreement
(Appalachian Power Recovery Funding LLC)*

Schedule 1 to Joinder

Company, Securitization Property Servicer and Receivables Sub-Servicer	Appalachian Power Company
Notice Address	One Riverside Plaza Columbus, Ohio 43215 Attention: Treasurer Telephone: (614) 716-1000 Email: Treasury_Operations_AEP@aep.com
Bond Issuer	Appalachian Power Recovery Funding LLC
Notice Address	1051 E Cary St., Suite 1100 Richmond, Virginia 23219 Attention: Vice President – Regulatory and Finance Telephone: (614) 716-1519 Email: Treasury_Operations_AEP@aep.com
Indenture Trustee	U.S. Bank Trust Company, National Association
Notice Address	190 South LaSalle Street, 7th Floor, MK-IL-SL7R Chicago, Illinois 60603 Attention: Corporate Trust Services / Appalachian Power Recovery Funding LLC Telephone: (312) 332-7496 Email: matthew.smith2@usbank.com; melissa.rosal@usbank.com; and maryann.turbak@usbank.com
Agency Agreement	Third Amended and Restated Agency Agreement, dated as of August 25, 2004, by and between Receivables Buyer and the Company, as amended, restated or modified from time to time
Commission	State Corporation Commission of the Commonwealth of Virginia (including any governmental authority succeeding to the duties of such agency)
Financing Order	The Financing Order, issued on November 24, 2025, in Case No. PUR-2025-00116, by the Commission pursuant to the Securitization Act
Indenture	Indenture, dated as of May 27, 2026, by and between the Bond Issuer, the Indenture Trustee and U.S. Bank National Association, as securities intermediary, as amended, restated or modified from time to time
Purchase Agreement	Third Amended and Restated Purchase Agreement, dated as of August 25, 2004, by and between Receivables Buyer and the Company, as amended, restated or modified from time to time
Sale Agreement	Securitized Asset Cost Purchase and Sale Agreement, dated as of May 27, 2026, by and between the Bond Issuer and the Company, as amended, restated or modified from time to time
Securitization Act	§ 249.8 of Title 56 of the Code of Virginia, as amended from time to time
Securitization Charges	The “securitized asset cost charges” (as defined in § 249.8 A. of Title 56 of the Code of Virginia) approved by the Commission in the Financing Order
Securitization Property	The “Securitized Asset Cost Property” (as defined in, and as created pursuant to, the Financing Order)

Servicing Agreement

Securitized Asset Cost Servicing Agreement, dated as of May 27, 2026, by and between the Bond Issuer and the Company, as amended, restated or modified from time to time

Schedule 1 to Joinder

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SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
NEW YORK, NY 10019
+1 212 839 5300
+1 212 839 5599 FAX

AMERICA • ASIA PACIFIC • EUROPE

May 27, 2026

To Each of the Persons Listed
on Schedule A Attached Hereto

Re: Federal Constitutional Issues Related to Appalachian Power Recovery Funding LLC
Series 2026-A Senior Secured SAC Bonds

Ladies and Gentlemen:

We have served as special counsel to Appalachian Power Company, a Virginia corporation (“APCo”), in connection with the issuance and sale on the date hereof by Appalachian Power Recovery Funding LLC, a Delaware limited liability company (the “Issuer”), of \$1,375,500,000 aggregate principal amount of the Issuer’s Series 2026-A Senior Secured SAC Bonds (the “Bonds”), which are more fully described in the Prospectus dated May 19, 2026. The Bonds are being sold pursuant to the provisions of the Underwriting Agreement dated May 19, 2026 among APCo, the Issuer and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and RBC Capital Markets, LLC, as representatives of the underwriters named in Schedule I to the Underwriting Agreement (the “Underwriters”). The Bonds are being issued pursuant to the provisions of the Indenture dated as of the date hereof, as supplemented by the Series Supplement dated as of the date hereof (together with the Indenture, the “Indenture”), among the Issuer, U.S. Bank Trust Company, National Association, as indenture trustee (the “Indenture Trustee”), and U.S. Bank National Association, as securities intermediary. Under the Indenture, the Indenture Trustee holds, among other things, SAC Property as described below as collateral security for the payment of the Bonds. All capitalized terms used herein and not otherwise defined shall have the meaning specified in Appendix A to the Indenture unless the context clearly indicates otherwise.

Section 56-249.8 of the Code of Virginia (the “Securitization Law”), among other things, (a) provides for an electric utility in the Commonwealth of Virginia (the “Commonwealth”) to recover certain storm recovery costs, undepreciated generation utility plant balances and associated financing costs, (b) assigns certain powers and duties to the State Corporation Commission of the Commonwealth (the “Commission”) in connection with such securitization and (c) provides for the creation of “securitized asset cost property” simultaneous with (i) the sale of such securitized asset cost property to an assignee and (ii) the pledge of such securitized asset cost property to secure securitized asset cost bonds. “SAC Property” means the “securitized asset cost property” created pursuant to, and as defined in, the Financing Order issued by the

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Commission on November 24, 2025, in Case No. PUR-2025-00116 (the “Financing Order”) that was (i) sold to the Issuer as assignee of such securitized asset cost property pursuant to the provisions of the Sale Agreement dated as of the date hereof between APCo and the Issuer in consideration for the payment by the Issuer to APCo of the proceeds of the sale of the Bonds, net of certain issuance costs, and (ii) pledged to the Indenture Trustee pursuant to the terms of the Indenture to secure the Bonds. The SAC Property includes the right to impose, bill, charge, collect and receive certain “nonbypassable” “securitized asset cost charges” (each as defined in the Securitization Law) described in the Financing Order (the “SAC Charges”), in an amount sufficient to repay, finance or refinance the Bonds.

The SAC Charges may be periodically adjusted, in the manner authorized in the Financing Order, in order to enhance the probability that the revenues received by the Issuer from the SAC Charges are sufficient to (i) amortize the Bonds pursuant to the amortization schedule to be followed in accordance with the provisions of the Bonds and the Indenture, (ii) pay interest thereon and related fees and expenses, and (iii) maintain the required reserves for the payment of the Bonds.

The Financing Order was issued in response to an application for its issuance that was filed by APCo with the Commission pursuant to the provisions of the Securitization Law. The Financing Order became final and no longer subject to appeal on December 24, 2025.

Questions Presented and Opinions

You have requested our opinion as to:

- (a) whether the Commonwealth Pledge (as defined below) creates a contractual relationship between the Commonwealth and the holders of the Bonds (the “Holders”) that falls within the scope of the “contract clause” of the U.S. Constitution (Article I, Section 10 (the “Federal Contract Clause”));
- (b) whether the Holders could challenge successfully under the Federal Contract Clause the constitutionality of either any action by the Virginia General Assembly of the Commonwealth (the “General Assembly”), or any action of the Commission of a legislative character, including rescission or amendment of the Financing Order (all referred to herein as “Legislative Action”) that in each case impairs the value of the SAC Property or the SAC Charges (other than as contemplated under the formula-based true-up mechanism authorized by the Securitization Law and the Financing Order) so as to impair (i) the terms of the Indenture or the Bonds or (ii) the rights and remedies of the Holders (or the Indenture Trustee acting on their behalf) (any impairment described in clause (i) or (ii) being referred to herein as an “Impairment”) prior to the time that the Bonds are fully paid and discharged;

(c) whether preliminary injunctive relief would be available under federal law to delay implementation of Legislative Action that impairs the value of the SAC Property or otherwise cause an Impairment pending final adjudication of a claim challenging such Legislative Action in U.S. federal court and, assuming a favorable final adjudication of such claim, whether relief would be available to enjoin permanently the implementation of the challenged Legislative Action; and

(d) whether, under the Fifth Amendment to the United States Constitution (made applicable to the Commonwealth by the Fourteenth Amendment to the United States Constitution), which provides in part “nor shall private property be taken for public use, without just compensation” (the “Federal Takings Clause”), the Commonwealth could repeal or amend the Securitization Law or take any other action in contravention of the Commonwealth Pledge without paying just compensation to the Holders, as determined by a court of competent jurisdiction, if doing so (a) constituted a permanent appropriation of a substantial property interest of the Holders in the SAC Property or denied all economically productive use of the SAC Property; (b) destroyed the SAC Property other than in response to emergency conditions; or (c) substantially impaired the value of the SAC Property or the SAC Charges (other than as contemplated under the formula-based true-up mechanism authorized by the Securitization Law and the Financing Order) so as to unduly interfere with the reasonable expectations of the Holders arising from their investments in the Bonds (a “Substantial Taking”).

As discussed in more detail in the opinion letter of Troutman Pepper Locke LLP (“TPL”) of even date herewith, the Securitization Law authorizes the Commission “to create an irrevocable contract right,” Va. Code § 56-249.8:K.1.a, and the Commission has acknowledged in the Financing Order that the Commission is bound by the Commonwealth Pledge and that “these pledges will constitute pledges of the Commonwealth and Commission to bondholders, the owners of [SAC Property], the SPE issuing [SAC Bonds], and other financing parties.”¹ The Commonwealth Pledge further contemplates that features of the Commonwealth Pledge may be incorporated into the Bonds. Va. Code § 56-249.8:K.2.

Based on the foregoing, and supported by the conclusion in the opinion letter of TPL of even date herewith, that the Commonwealth is contractually bound by the Commonwealth Pledge as a matter of Virginia law, based upon our review of relevant judicial authority, as set forth in this letter, but subject to the qualifications, limitations and assumptions (including the assumption that any Impairment would be “substantial”) set forth herein and in the TPL opinion, it is our opinion that a reviewing court of competent jurisdiction, applying the decisions and analysis used in federal courts, in a properly prepared and presented case:

(i) would conclude that the Commonwealth Pledge creates a contractual relationship between the Holders and the Commonwealth that falls within the scope of the Federal Contract Clause;

¹ See Conclusion No. 31 in the Financing Order.

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(ii) would conclude that, absent a demonstration by the Commonwealth that an Impairment is necessary to further a significant and legitimate public purpose, the Holders could successfully challenge under the Federal Contract Clause the constitutionality of any Legislative Action determined by such court to limit, alter, impair or reduce the value of the SAC Charges or SAC Property or otherwise cause an Impairment prior to the time that the Bonds are fully paid and discharged;

(iii) with respect to the questions presented above in (b), although sound and substantial arguments support the granting of preliminary injunctive relief, the decision to do so will be in the discretion of the court requested to take such action, which will be exercised on the basis of the considerations discussed in Part II below; and a federal court should conclude that permanent injunctive relief is available under federal law to prevent implementation of Legislative Action hereafter taken and determined by such court to limit, alter, impair or reduce the value of the SAC Property or otherwise cause an Impairment in violation of the Federal Contract Clause; and

(iv) would conclude under the Federal Takings Clause that the Commonwealth would be required to pay just compensation to Holders if the Commonwealth's repeal or amendment of the Securitization Law or taking of any other action in contravention of the Commonwealth Pledge constituted a Substantial Taking.

We also note, with respect to the opinion in (ii), that existing case law indicates that the Commonwealth would have to establish that any Impairment is necessary and reasonably tailored to address a significant public purpose, such as remedying or providing relief for a broad, widespread economic or social problem. The cases also indicate that the Commonwealth's justification would be subjected to a higher degree of scrutiny, and that the Commonwealth would bear a more substantial burden, if the Legislative Action impairs a contract to which the Commonwealth is a party (which we believe to be the case here), as contrasted to a contract solely between private parties.

We are not aware of any reported controlling judicial precedents that are directly on point with respect to the questions raised above. Accordingly, our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. Moreover, the application of equitable principles (including the availability of injunctive relief or the issuance of a stay pending appeal) is subject to the discretion of the court that is asked to apply them. We cannot predict the facts and circumstances that will be present in the future and may be relevant to the exercise of such discretion. Consequently, there can be no assurance that a court will follow our reasoning or reach the conclusions that we believe current judicial precedent supports.

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This letter is limited to the federal laws of the United States of America. Our opinions are based upon our evaluation of existing judicial decisions and arguments related to the factual circumstances likely to exist at the time of a Federal Contract Clause or Federal Takings Clause challenge to Legislative Action or other Commonwealth action; such precedents and such circumstances could change materially from those discussed below in this letter. Accordingly, such opinions are intended to express our belief as to the result that should be obtainable through the proper application of existing judicial decisions in a properly prepared and presented case. It is our and your understanding that none of the foregoing opinions is intended to be a guaranty as to what a particular court would actually hold; rather each such opinion is only an expression as to the decision a court ought to reach if the issue were properly prepared and presented to it and the court followed what we believe to be the applicable legal principles under existing judicial precedent. The recipients of this letter should take these considerations into account in analyzing the risks associated with the subject transaction.

We are not aware of any reported judicial decision which we believe would provide a basis on which a court would declare the provisions of the Securitization Law to be invalid under the United States Constitution and it is our opinion that under existing case law, a reviewing court of competent jurisdiction would hold that the Securitization Law is constitutional in all material respects under the United States Constitution.

Discussion

I. Protection of Commonwealth Pledge Under the Federal Contract Clause

Va. Code § 56-249.8:K(1) – (2) provides:

“(1) The Commonwealth and its agencies, including the Commission, pledge and agree with bondholders, the owners of the securitized asset cost property, and other financing parties that the Commonwealth and its agencies shall not take any action listed in this subdivision. This subsection does not preclude limitation or alteration if full compensation is made by law for the full protection of the securitized asset cost charges collected pursuant to a financing order and of the bondholders and any assignee or financing party entering into a contract with the electric utility. The Commonwealth and its agencies, including the Commission, shall not:

(a) Alter the provisions of this section that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of a financing order, to create securitized asset cost property, and to make the securitized asset cost charges imposed by a financing order irrevocable, binding, or non-bypassable charges;

(b) Take or permit any action that impairs or would impair the value of securitized asset cost property or the security for the securitized asset cost bonds or revises the securitized asset costs for which recovery is authorized;

(c) In any way impair the rights and remedies of the bondholders, assignees, and other financing parties; or

(d) Except for changes made pursuant to the formula-based adjustment mechanism authorized under this section, reduce, alter, or impair securitized asset cost charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs, and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related securitized asset cost bonds have been paid and performed in full.

(2) Any person that issues securitized asset cost bonds may include the language specified in subdivision 1 in the securitized asset cost bonds and related documentation.”

Va. Code § 56-249.8:K(1) – (2). This language, including paragraph (2) in the block quote above, is referred to in this letter as the “Commonwealth Pledge.” As authorized by the foregoing statutory provision and the Financing Order, the language of the Commonwealth Pledge has been included in the Indenture and in the Bonds. Based on our analysis of relevant judicial authority, it is our opinion, subject to all of the qualifications, limitations and assumptions (including the assumption that any Impairment would be “substantial”) set forth in this letter, that, absent a demonstration by the Commonwealth that an Impairment is necessary to further a significant and legitimate public purpose, a reviewing court of competent jurisdiction would conclude that the Commonwealth Pledge provides a basis upon which the Holders (or the Indenture Trustee acting on their behalf) could challenge successfully, under the Federal Contract Clause, the constitutionality of any Legislative Action determined by such court to impair the value of the SAC Property or otherwise to cause an Impairment prior to the time that the Bonds are fully paid and discharged.

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Article I, Section 10 of the United States Constitution, known as the Federal Contract Clause, prohibits any state from impairing the “[o]bligation of [c]ontracts,” whether among private parties or among such state and private parties. The general purpose of the Federal Contract Clause is “to encourage trade and credit by promoting confidence in the stability of contractual obligations.”² The law is well-settled that “the [Federal] Contract Clause limits the power of the States to modify their own contracts as well as to regulate those between private parties.”³ Although the text of the Federal Contract Clause appears to proscribe any impairment, the United States Supreme Court has made it clear that the proscription is not absolute: “Although the Contract Clause appears literally to proscribe ‘any’ impairment, [...] ‘the prohibition is not an absolute one and is not to be read with literal exactness like a mathematical formula.’”⁴

The United States Supreme Court has applied a three-part analysis to determine whether a particular legislative action violates the Federal Contract Clause:⁵

- (1) whether the legislative action operates as a substantial impairment of a contractual relationship;
- (2) assuming such an impairment, whether the legislative action is justified by a significant and legitimate public purpose; and
- (3) whether the adjustment of the rights and responsibilities of the contracting parties is reasonable and appropriate given the public purpose behind the legislative action.

The first inquiry contains three components: “whether there is a contractual relationship, whether a change in law impairs that contractual relationship, and whether the impairment is substantial.”⁶ In addition, to succeed with a Federal Contract Clause claim involving a contract with the state itself, a party must show that the contractual relationship is not an invalid attempt by the state under the “reserved powers” doctrine to “surrender[] an essential attribute of its sovereignty.”⁷

² See U.S. Tr. Co. of N.Y. v. New Jersey, 431 U.S. 1, 15 (1977).

³ Id. at 17.

⁴ Id. at 21 (citation omitted); see also Energy Reserves Grp., Inc. v. Kan. Power & Light Co., 459 U.S. 400, 410 (1983) (“Although the language of the Contract Clause is facially absolute, its prohibition must be accommodated to the inherent police power of the State ‘to safeguard the vital interests of its people.’”) (citing Home Bldg. & Loan Ass’n v. Blaisdell, 290 U.S. 398, 434 (1934)).

⁵ Energy Reserves, 459 U.S. at 411-13. See also, e.g., FOP Lodge No. 89 v. Prince George’s Cty., 608 F.3d 183, 188 (4th Cir. 2010); Kaminski v. Coulter, 865 F.3d 339, 344-45 (6th Cir. 2017).

⁶ Gen. Motors Corp. v. Romein, 503 U.S. 181, 186 (1992).

⁷ See U.S. Trust, 431 U.S. at 23.

As described above, the opinion of TPL supports the conclusion that the Commonwealth Pledge unambiguously indicates the Commonwealth's intent to be bound with the Holders and, subject to all of the qualifications, limitations and assumptions set forth in such opinion, supports the conclusion that, for purposes of the Contract Clause of the Virginia Constitution, the Commonwealth Pledge constitutes a binding contractual relationship between the Commonwealth and the Holders.

On that premise, the following three subparts address: (i) whether such a contract that falls within the scope of the Federal Contract Clause exists between the Commonwealth and the Holders as a result of Commonwealth Pledge; (ii) if so, whether such contract violates the "reserved powers" doctrine, which would render such contract unenforceable; and (iii) the Commonwealth's burden in justifying an impairment. The determination of whether particular Legislative Action constitutes a substantial impairment of a particular contract is a fact-specific analysis, and nothing in this letter expresses any opinion as to how a court would resolve the issue of "substantial impairment" with respect to the Financing Order, the SAC Property or the Bonds vis-à-vis a particular Legislative Action. Therefore, we have assumed for purposes of this letter that any Impairment resulting from the Legislative Action being challenged under the Federal Contract Clause would be substantial.

A. Existence of a Contractual Relationship

The courts have recognized the general presumption that, "absent some clear indication that the legislature intends to bind itself contractually, ... 'a law is not intended to create private contractual or vested rights but merely declares a policy to be pursued until the legislature shall ordain otherwise.'"⁸ This presumption is based on the fact that the legislature's principal function "is not to make contracts, but to make laws that establish the policy of the state."⁹ Thus, a person asserting the creation of a contract with the Commonwealth must overcome this presumption.

This general presumption can be overcome where the language of the statute indicates an intention to create contractual rights. In determining whether a contract has been created by statute, "it is of first importance to examine the language of the statute."¹⁰ The United States Supreme Court has ruled that a statute creates a contractual relationship between a state and private parties if the statutory language contains sufficient words of contractual undertaking.¹¹ The United States Supreme Court has further stated that a contract is created "when the language and circumstances evince a legislative intent to create private rights of a contractual nature enforceable against the State."¹²

⁸ Nat'l R.R. Passenger Corp. v. Atchison, Topeka & Santa Fe Ry., 470 U.S. 451, 465-66 (1985) (quoting Dodge v. Bd. of Educ., 302 U.S. 74, 79 (1937)).

⁹ See id. at 466 (citing Ind. ex rel. Anderson v. Brand, 303 U.S. 95, 104-05 (1938)).

¹⁰ Dodge, 302 U.S. at 78.

¹¹ See Ind. ex rel. Anderson, 303 U.S. at 104-05 (1938) (noting "the cardinal inquiry is as to the terms of the statute supposed to create such a contract"); U.S. Trust, 431 U.S. at 17-18 & n.14.

¹² U.S. Trust, 431 U.S. at 17 n.14.

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In U.S. Trust v. New Jersey, the United States Supreme Court affirmed the trial court’s finding, which was not contested on appeal, that a statutory covenant of two states for the benefit of the holders of certain bonds gave rise to a contractual obligation between such states and the bondholders.¹³ The covenant at issue limited the ability of the Port Authority of New York and New Jersey to subsidize rail passenger transportation from revenues and reserves pledged as security for such bonds. In finding the existence of a contract between such states and bondholders, the Court stated “[t]he intent to make a contract is clear from the statutory language: ‘The 2 States covenant and agree with each other and with the holders of any affected bonds. . . .’”¹⁴ In that case, the statute used the words “covenant and agree with each other and with the holders of any affected bonds.”¹⁵ Later, in National Railroad Passenger Corp. v. Atchison, Topeka & Santa Fe Railway Co., the Court discussed the U.S. Trust covenant and noted: “[r]esort need not be had to a dictionary or case law to recognize the language of contract” in such covenant.¹⁶

Similarly, in Indiana ex rel. Anderson v. Brand, the United States Supreme Court determined that the Indiana Teachers’ Tenure Act created a contract between the state and specified teachers because the statutory language demonstrated a clear legislative intent to contract. The Court based its decision, in part, on the legislature’s use of the word “contract” throughout the statute to describe the legal relationship between the state and such teachers.¹⁷

¹³ Id. at 17-18.

¹⁴ Id. at 18. Although the issue of whether a contract existed between such states and the bondholders was never disputed on appeal, the Court reviewed the language of the covenant and the circumstances surrounding the covenant, and stated, “[w]e therefore have no doubt that the 1962 covenant has been properly characterized as a contractual obligation of the two States.” Id.

¹⁵ Id. at 18 (quoting 1962 N.J. Laws, c.8, § 6, 1962 N.Y.Laws, c. 209, § 6).

¹⁶ See Nat’l R.R., 470 U.S. at 470.

¹⁷ Brand, 303 U.S. at 105. However, the mere use of the word “contract” in a statute will not necessarily evince the requisite legislative intent. As the Court cautioned in National Railroad, the use of the word “contract” alone would not signify the existence of a contract *with the government*. Nat’l R.R., 470 U.S. at 470. In National Railroad, the Court found that use of the word “contract” in the Rail Passenger Service Act defined only the relationship between the newly-created nongovernmental corporation (Amtrak) and the railroads, not the relationship between the United States and the railroads. The Court determined that “[l]egislation outlining the terms on which private parties may execute contracts does not on its own constitute a statutory contract.” Id. at 467.

Like the language of the covenant considered in U.S. Trust, the language of the Commonwealth Pledge unambiguously indicates the General Assembly's intent to bind the Commonwealth by providing in pertinent part that the Commonwealth does "pledge and agree with bondholders, the owners of the securitized asset cost property, and other financing parties that the Commonwealth and its agencies shall not take any action listed in this subdivision." Va. Code § 56-249.8:K.1. Indeed, the most evident difference between such language and the U.S. Trust statute is the use of the verb "pledge," rather than "covenant," but that difference is not, in our view, material.¹⁸ Indeed, much like the terms "covenant" and "agree" quoted in U.S. Trust, the phrase "pledge and agree" evinces a legislative intent to create private rights of a contractual nature enforceable against the Commonwealth. The provisions, also consistent with contract language and like the statute quoted in U.S. Trust names the beneficiaries of the Commonwealth's pledge and agreement. Further, the definition of the General Assembly's term — "pledge" — is "to bind by a promise."¹⁹ Unlike the statute construed in National Railroad, the Securitization Law expressly includes language indicating the Commonwealth's obligation with respect to securitized asset cost bond transactions. See Va. Code § 56-249.8:K.1 ("The Commonwealth and its agencies, including the Commission, pledge and agree . . . that the Commonwealth and its agencies shall not take any action listed in this subdivision . . . [t]he Commonwealth and its agencies, including the Commission shall not: . . . Take or permit any action that impairs or would impair the value of securitized asset cost property or the security for the securitized asset cost bonds or revises the securitized asset costs for which recovery is authorized" (emphasis added). Finally, it is important to note that the Commonwealth also authorizes an issuer of securitized asset cost bonds to include the Commonwealth Pledge in contracts with the holders of securitized asset cost bonds (such as the Bonds). Id. § 56-249.8:K.2. While the Virginia Securitization Law also states that neither the Commonwealth nor its agencies shall be liable on the Bonds and that the Bonds shall not be considered a debt or general obligation of the Commonwealth or its agencies, that does not mean that no promise has been made for the purpose of impairment of contracts.

¹⁸ It could be contended that the factual situation in the U.S. Trust case is distinguishable from the factual situation surrounding the issuance of the Bonds. In U.S. Trust, the bonds were issued by the Port Authority — a governmental agency — while the Bonds are being issued by a private entity, and the Securitization Law states that the Bonds "shall not be a debt or a general obligation of the Commonwealth." Va. Code § 56-249.8:1. However, the Securitization Law dictates that a utility must obtain a financing order before any "securitized asset cost bonds" such as the Bonds are issued. Va. Code § 56-249.8:B.2. The authority to issue such an order rests with the Commonwealth, acting through the Commission, and therefore the issuance of the Bonds is state-sanctioned in a manner closely analogous to the situation in U.S. Trust. In addition, and most significantly, the Securitization Law pledges that the Commonwealth shall not "take or permit any action that impairs or would impair the value of securitized asset cost property" and it expressly states that "[t]he Commonwealth and its agencies, including the Commission, pledge and agree with bondholders, the owners of the securitized asset cost property, and other financing parties that the Commonwealth and its agencies shall not take any action listed in this subdivision." Va. Code § 56-249.8:K.1. This pledge not to permit or take action that would impair the value of securitized asset cost property is thus like the covenant in U.S. Trust because it is directed to the bond holders and is intended "as security against repeal" in order to enhance the marketability of the securitized asset bonds. See U.S. Trust, 431 U.S. at 18.

¹⁹ WEBSTER'S NEW WORLD DICTIONARY 573 (2d ed. 1982).

In summary, supported by the conclusion, subject to the qualifications, limitations and assumptions therein, in the opinion of TPL that, for purposes of the Contract Clause of the Virginia Constitution, the Commonwealth Pledge constitutes a binding contractual relationship between the Commonwealth and the Holders, the language of the Commonwealth Pledge supports the conclusion that the Commonwealth meant, through the Commonwealth Pledge, to create a contractual relationship between the Commonwealth and the Holders that falls within the scope of the Federal Contract Clause.²⁰

B. Reserved Powers Doctrine

The “reserved powers” doctrine limits the Commonwealth’s ability to bind itself contractually in a manner which surrenders an essential attribute of its sovereignty.²¹ Under this doctrine, if a contract purports to surrender a state’s “reserved powers” – powers that cannot be contracted away – such contract is void.²² Although the scope of the “reserved powers” doctrine has not been precisely defined by the courts, case law has established that a state cannot enter into contracts that forbid future exercises of its police powers or its power of eminent domain.²³ In contrast, the United States Supreme Court has stated that a state’s “power to enter into effective financial contracts cannot be questioned.”²⁴

²⁰ In addition to the Commonwealth Pledge, the Commission’s Financing Order contains the following language in Conclusion (30): “The Commission, on behalf of itself and the Commonwealth in accordance with the Securitization Statute, pledges and agrees with the holders of the Securitized Asset Cost Bonds, the owners of the Securitized Asset Cost Property, and other financing parties that the Commission and the Commonwealth and its agencies shall not take any action to: (i) alter the provisions of the Securitization Statute that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of this Financing Order, to create securitized asset cost property in the form of the Securitized Asset Cost Property, and to make the securitized asset cost charges imposed by this Financing Order in the form of the Securitized Asset Cost Charges imposed by this Financing Order irrevocable, binding, or nonbypassable charges; (ii) take or permit any action that impairs or would impair the value of the Securitized Asset Cost Property or the security for the Securitized Asset Cost Bonds or revises the Securitized Asset Costs for which recovery is authorized; (iii) in any way impair the rights and remedies of the bondholders, assignees, and other financing parties related thereto; or (iv) except for changes made pursuant to the formula-based adjustment mechanism authorized under this Financing Order, reduce, alter, or impair Securitized Asset Cost Charges that are to be imposed, billed, charged, collected, and remitted for the benefit of such bondholders, assignees, and financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related Securitized Asset Cost Bonds have been paid and performed in full.”

²¹ U.S. Trust, 431 U.S. at 23.

²² Id. See generally United States v. Winstar Corp., 518 U.S. 839, 888-90 (1996) (plurality opinion).

²³ U.S. Trust, 431 U.S. at 23-24 & nn.20-21 (citing Stone v. Mississippi, 101 U.S. 814, 817 (1880), and W. River Bridge Co. v. Dix, 47 U.S. 507, 525-26 (1848)).

²⁴ U.S. Trust, 431 U.S. at 24. See also Cont’l Ill. Nat’l Bank & Tr. Co. v. Washington, 696 F.2d 692, 699 (9th Cir. 1983) (“Thus, insofar as the purely financial aspects of the agreement are concerned, reservations are not to be lightly inferred.”); Baltimore Teachers Union, Am. Fed’n of Teachers, Loc. 340, AFL-CIO v. Mayor & City Council of Baltimore, Md., 6 F.3d 1012, 1018-19 (4th Cir. 1993).

Under existing case law, the Commonwealth Pledge does not, in our view, purport to surrender any “reserved powers” of the Commonwealth. Although the Commonwealth’s commitment not to “[t]ake or permit any action that impairs or would impair the value of securitized asset cost property” is broader than the commitment in U.S. Trust that revenues and reserves securing bonds would not be depleted beyond a certain level,²⁵ we do not believe courts, in applying the applicable federal case law, would construe the Commonwealth Pledge as purporting to contract away, or forbid future exercises of, the Commonwealth’s power of eminent domain or its police power to protect the public health and safety. Through the Securitization Law and “financing orders” (such as the Financing Order) issued in accordance therewith by the Commission in order to create “securitized asset cost property”, as such term is used in the Securitization Law, the Commonwealth has authorized the Commission to issue “securitized asset cost bonds” (such as the Bonds) and has pledged not to impair the value of the “securitized asset cost property” (such as the SAC Property) securing such instruments. As discussed above, in the absence of any contrary indication under Virginia law, federal courts would find that the Securitization Law and the Commonwealth Pledge constitute a contractual obligation undertaken by the Commonwealth akin to the type of “financial contract” involved in U.S. Trust, and would not be viewed as an impermissible surrender of an essential attribute of State sovereignty.

C. Commonwealth’s Burden to Justify an Impairment

To survive scrutiny under the Federal Contract Clause, a substantial impairment by a state of a valid state contract must be justified by “a significant and legitimate public purpose . . . such as the remedying of a broad and general social or economic problem,”²⁶ and the state action causing that impairment must be both “reasonable and necessary to serve” such a public purpose.²⁷

The contours of this test are illustrated by several decisions of the United States Supreme Court. In Home Building & Loan Ass’n v. Blaisdell,²⁸ which the Court has described as “the leading case in the modern era of [Federal] Contract Clause interpretation,”²⁹ the Court addressed a Contract Clause challenge to a Minnesota law that, in response to economic conditions caused by the Great Depression, (i) authorized county courts to extend the period of redemption

²⁵ U.S. Trust, 431 U.S. at 25.

²⁶ Energy Reserves, 459 U.S. at 411-12.

²⁷ U.S. Trust, 431 U.S. at 25. See also Cherry v. Mayor & Baltimore, 762 F.3d 366, 371 (4th Cir. 2014); Puckett v. Lexington-Fayette Urb. Cnty. Gov’t, 833 F.3d 590, 599 (6th Cir. 2016) (articulating two-part test).

²⁸ Blaisdell, 290 U.S. 398.

²⁹ U.S. Trust, 431 U.S. at 15.

from foreclosure sales on mortgages previously made “for such additional time as the court may deem just and equitable,” subject to certain limitations, and (ii) limited actions for deficiency judgments.³⁰ The Court stated that the “reserved powers” doctrine could not be construed to “permit the State to adopt as its policy the repudiation of debts or the destruction of contracts or the denial of means to enforce them.” On the other hand, the Court also indicated that the Federal Contract Clause could not be construed to prevent limited and temporary interpositions with respect to the enforcement of contracts if made necessary by a great public calamity such as fire, flood, or earthquake. The reservation of state power appropriate to such extraordinary conditions may be deemed to be as much a part of all contracts, as is the reservation of state power to protect the public interest in the other situations to which we have referred. And if state power exists to give temporary relief from the enforcement of contracts in the presence of disasters due to physical causes such as fire, flood or earthquake, that power cannot be said to be nonexistent when the urgent public need demanding such relief is produced by other and economic causes.³¹

In upholding the Minnesota law, the Court relied on the following: (1) an economic emergency existed that threatened the loss of homes and lands which furnish those persons in possession with necessary shelter and means of subsistence; (2) the law was not enacted for the benefit of particular individuals but for the protection of a basic interest of society; (3) the relief provided by the law was appropriate to the emergency, and could only be granted upon reasonable conditions; (4) the conditions on which the period of redemption was extended by the law did not appear to be unreasonable; and (5) the law was temporary in operation and limited to the emergency on which it was based.³² In several contemporaneous cases, the United States Supreme Court struck down other laws passed in response to the economic emergency created by the Great Depression,³³ thus reinforcing the notion that, to be justified, the impairment must be the result of a reasonable, necessary and tailored response to a broad and significant public concern.

³⁰ The mortgagor was required to continue to pay the reasonable income or rental value of the property, as determined by the court, toward payment of taxes, insurance, interest and principal. The law stated that it was to remain in effect only during the current emergency and no later than May 1, 1935; no redemption period could be extended beyond the expiration of the law. Blaisdell, 290 U.S. at 415-18.

³¹ Id. at 439-40 (citation omitted).

³² Id. at 444-47.

³³ See Treigle v. Acme Homestead Ass’n, 297 U.S. 189 (1936); W.B. Worthen Co. v. Kavanaugh, 295 U.S. 56 (1935); W.B. Worthen Co. v. Thomas, 292 U.S. 426 (1934).

The deference to be given by a court to a legislature's determination of the need for a particular impairment depends on whether the contract is purely private or the state is a contracting party. Although courts ordinarily defer to legislative judgment as to the necessity and reasonableness of a particular action,³⁴ the Supreme Court has noted that such deference "is not appropriate" when a state is a contracting party.³⁵ In that circumstance, a "stricter standard" of justification should apply.³⁶ Indeed, in Energy Reserves Group v. Kansas Power & Light Co., the Court noted that "[i]n almost every case, the Court has held a governmental unit to its contractual obligations when it enters financial or other markets."³⁷

The leading case addressing impairment of contracts to which the state is a party is U.S. Trust. As noted above, there the state had covenanted that revenues and reserves securing certain bonds would not be depleted below a certain level.³⁸ The state thereafter repealed that promise in order to finance new mass transit projects, claiming that the repeal was justified by the need to promote, and encourage additional use of, mass transportation in response to energy shortages and environmental concerns.³⁹ The Court ruled that the state's action was nevertheless invalid under the Contract Clause because repeal of the covenant was "neither necessary to achievement of the plan nor reasonable in light of the circumstances."⁴⁰ The Court stated that a modification less drastic than total repeal would have permitted the states to achieve their plan to improve commuter rail service, and, in fact, the states could have achieved that goal without modifying the covenant at all.⁴¹ For example, the states "could discourage automobile use through taxes on gasoline or parking . . . and use the revenues to subsidize mass transit projects."⁴²

The Court in U.S. Trust contrasted the legislation under consideration with the statute challenged in City of El Paso v. Simmons,⁴³ which limited to five years the reinstatement rights of defaulting purchasers of land from the state. For many years prior to the enactment of this statute, defaulting purchasers had been allowed to reinstate their claims upon written request and payment of delinquent interest, unless the rights of third parties had intervened. In U.S. Trust,

³⁴ Keystone Bituminous Coal Ass'n v. DeBenedictis, 480 U.S. 470 (1987) (upholding against Federal Contract Clause challenge a law authorizing revocation of a coal mine operator's mining permit as a reasonable and necessary response to the "devastating effects" of subsidence caused by underground mining).

³⁵ U.S. Trust, 431 U.S. at 25-26.

³⁶ Energy Reserves, 459 U.S. at 400, 412-13 n.14. See also Allied Structural Steel Co. v. Spannaus, 438 U.S. 234, 244 n.15 (1978) ("impairments of a State's own contracts would face more stringent examination under the Contract Clause").

³⁷ 459 U.S. at 412 n.14.

³⁸ U.S. Trust, 431 U.S. at 25.

³⁹ Id. at 28-29. The Court noted that when the bills to repeal the covenant were pending "a national energy crisis was developing." Id. at 13-14.

⁴⁰ Id. at 29.

⁴¹ Id. at 30.

⁴² Id. at 30 n.29.

⁴³ City of El Paso v. Simmons, 379 U.S. 497 (1965).

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the Court stated that this older (19th century) statute “had effects that were unforeseen and unintended by the legislature when originally adopted,” *i.e.*, “speculators were placed in a position to obtain windfall benefits,” and therefore adoption of a statute of limitations was reasonable to restrict parties to gains reasonably expected from the contract when the original statute was adopted.⁴⁴ In contrast, the need for mass transportation was not a new development and the likelihood that publicly owned commuter railroads would produce substantial deficits was well known when the covenant was adopted.⁴⁵ Although, the Court noted, public perception of the importance of mass transit undoubtedly grew between 1962, when the covenant was adopted, and 1974, when it was repealed, “these concerns were not unknown in 1962, and the subsequent changes were of degree and not of kind . . . and [did not] cause the covenant to have a substantially different impact in 1974 than when it was adopted in 1962.”⁴⁶

The Court in U.S. Trust also distinguished its earlier decision in Faitoute Iron & Steel Co. v. City of Asbury Park,⁴⁷ which, according to the Court, was the “only time in this century that alteration of a municipal bond contract has been sustained.”⁴⁸ Faitoute involved a state municipal reorganization act under which bankrupt local governments could be placed in receivership by a state agency. Pursuant to that act, the holders of certain municipal revenue bonds received new securities bearing lower interest rates and later maturities. According to the Court in U.S. Trust, the earlier decision rejected the dissenting bondholders’ Federal Contract Clause claims on the theory that the “old bonds represented only theoretical rights; as a practical matter the city could not raise its taxes enough to pay off its creditors under the old contract terms,” and thus the plan “enabled the city to meet its financial obligations more effectively.”⁴⁹ The U.S. Trust Court further quoted Faitoute to the effect that the obligation in that case was “discharged, not impaired” by the plan.⁵⁰

⁴⁴ U.S. Trust, 431 U.S. at 31.

⁴⁵ Id. at 31-32.

⁴⁶ Id. at 32.

⁴⁷ Faitoute Iron & Steel Co. v. City of Asbury Park, 316 U.S. 502 (1942).

⁴⁸ U.S. Trust, 431 U.S. at 27.

⁴⁹ Id. at 28.

⁵⁰ Id.

Thus, the relevant case law demonstrates that a state bears a substantial burden when attempting to justify an impairment of a contract to which it is a party. As noted by the Supreme Court, “[i]n almost every case, the Court has held a governmental unit to its contractual obligations when it enters financial or other markets.”⁵¹ A mere recitation that the impairment is in the public interest is thus insufficient. Instead, a state action that impairs contracts to which it is a party must further a significant, legitimate and broad public purpose, not the interests of a narrow group; that public purpose must be served by a reasonable, necessary and carefully tailored measure, as “a State is not free to impose a drastic impairment when an evident and more moderate course would serve its purposes equally well.”⁵²

Subject to the qualifications, limitations and assumptions set forth in this letter, and supported by the conclusion, subject to the qualifications, limitations and assumptions therein, in the opinion of TPL that the Commonwealth Pledge unambiguously indicates the Commonwealth’s intent to be bound with the Holders and that, for purposes of the Contract Clause of the Virginia Constitution, the Commonwealth Pledge constitutes a binding contractual relationship between the Commonwealth and the Holders, it is our opinion that a reviewing court of competent jurisdiction, in a properly prepared and presented case applying federal precedent, would conclude that the Commonwealth Pledge constitutes a binding contractual relationship between the Holders and the Commonwealth that falls within the scope of the Federal Contract Clause, and that, absent a demonstration by the Commonwealth that an Impairment is necessary to further a significant and legitimate public purpose, the Holders could successfully challenge under the Federal Contract Clause the constitutionality of any Legislative Action determined by such court to limit, alter, reduce or otherwise impair the value of the SAC Charges or SAC Property or otherwise cause an Impairment prior to the time that the Bonds are fully paid and discharged.

⁵¹ Energy Reserves, 459 U.S. at 412 n.14 (citing U.S. Trust, 431 U.S. at 25-28; Kavanaugh, 295 U.S. 56 (1935); and Murray v. Charleston, 96 U.S. 432 (1878)). In Kavanaugh, the United States Supreme Court reversed a decision of the Arkansas Supreme Court upholding the validity of legislative enactments which, in the words of the former, take “from the mortgage [securing bonds issued by municipal improvement districts pursuant to state law] the quality of an acceptable investment for a rational investor” by making it much more difficult and time consuming to foreclose upon the collateral posted as security for the mortgage. 295 U.S. at 60. Such enactments were accompanied by a legislative “declaration of an emergency, which was stated to endanger the peace, health, and safety of a multitude of citizens.” 295 U.S. at 59. In Murray, the United States Supreme Court reversed a judgment of the Supreme Court of South Carolina upholding an ordinance of the City of Charleston which permitted the City to withhold, as a tax, a portion of the interest that was otherwise payable with respect to bonds issued by the City. This “tax” was held to violate the Federal Contract Clause: “no municipality of a State can, by its own ordinances, under the guise of taxation, relieve itself from performing to the letter all that it has expressly promised to its creditors.” 96 U.S. at 448.

⁵² U.S. Trust, 431 U.S. at 31. See also Catawba Indian Tribe of S.C. v. City of Rock Hill, 501 F.3d 368, 371 (4th Cir. 2007). In United Auto., Aerospace, Agr. Implement Workers of Am. Int’l Union v. Fortuño, 633 F.3d 37, 43-44 (1st Cir. 2011), the First Circuit held that the plaintiff bears the burden of proving that the state actions causing a substantial impairment are not reasonable or necessary. The First Circuit acknowledged that its position is in “some tension with the Supreme Court’s instruction” in U.S. Trust, and that “many courts have concluded that this burden rests with the state.” Id. at 43. See also Sullivan v. Nassau County Interim Finance Authority, 959 F.3d 54, 66 (2d Cir. 2020) (noting issue but declining to address it).

II. *Availability of Injunctive Relief in a Federal Court*

In a challenge to Legislative Action alleged to cause an Impairment, the remedies the plaintiff would be expected to seek would include an order enjoining Commonwealth officials from enforcing the provisions of such Legislative Action.⁵³

A. *Preliminary Injunctive Relief*

Under federal law, a federal court would assess the following matters in determining whether (in its discretion) to grant preliminary injunctive relief: (a) whether the party seeking an injunction is likely to succeed on the merits; (b) whether the party is likely to suffer irreparable harm in the absence of preliminary relief; (c) whether the balance of equities tips in favor of the party seeking the injunction; and (d) whether an injunction is in the public interest.⁵⁴ Each factor must be independently “satisfied as articulated.”⁵⁵ Given the limited purpose of a preliminary injunction, a party seeking a preliminary injunction “is not required to prove his case in full” under the same procedures and evidentiary requirements that would apply at a trial on the merits.⁵⁶

Success on the Merits. For purposes of our opinion regarding the availability of injunctive relief, we have assumed that a reviewing court of competent jurisdiction will find a strong likelihood of success on the merits, *i.e.* that the Legislative Action is likely an Impairment. As explained above, applying applicable federal precedent, in the absence of any contrary precedent under Virginia law, the Securitization Law and Commonwealth Pledge would be viewed as constituting a contractual relationship between the Holders and the Commonwealth that falls within the scope of the Federal Contract Clause. Thus, we examine only the three remaining portions of the test.

⁵³ If plaintiffs also seek money damages in federal court, the Commonwealth defendants could claim immunity. The Eleventh Amendment bars federal courts from granting money damages against the Commonwealth unless the Commonwealth waives that immunity. Gibbons v. Gibbs, 99 F.4th 211, 214 (4th Cir. 2024); Hutto v. S.C. Ret. Sys., 773 F.3d 536, 543-49 (4th Cir. 2014) (“State officials sued in their official capacities for retrospective money damages have the same sovereign immunity accorded to the State. . . . Therefore, as did the district court, we hold that the plaintiffs’ claim against the state officials for the return of their contributions is barred by the Eleventh Amendment.”); see also id. (“Unlike subject-matter jurisdiction, which cannot be waived, a State can always waive its immunity and consent to be sued in federal court[.]”).

⁵⁴ Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 20 (2008). See also Am. Fed’n of Teachers v. Bessent, 152 F.4th 162, 168-69 (4th Cir. 2025) (“While the court in *Winter* considered two factors, some requests for preliminary injunctions can be quickly resolved on just the first *Winter* factor alone. Such a truncated analysis is sufficient when a plaintiff must prevail on several independent issues, each potentially dispositive of the case, to prevail overall. To win under such circumstances, a plaintiff must show that they will likely prevail on the combination of all of the issues; the defendant, on the other hand, need only show they will likely prevail on one of them.”).

⁵⁵ Pashby v. Delia, 709 F.3d 307, 321 (4th Cir. 2013) (citing The Real Truth About Obama, 575 F.3d at 347), vacated on other grounds, 130 S. Ct. 2371 (2010), aff’d, The Real Truth About Obama, Inc. v. F.E.C., 607 F.3d 355 (4th Cir. 2010).

⁵⁶ AttorneyFirst, LLC v. Ascension Entm’t, Inc., 144 F. App’x 283, 288 (4th Cir. 2005).

Irreparable Harm. In considering irreparable harm, courts evaluate whether (1) there is a sufficient causal connection between the alleged injury and the conduct sought to be enjoined;⁵⁷ (2) irreparable injury is likely in the absence of an injunction;⁵⁸ (3) the threat of harm to plaintiff is immediate;⁵⁹ and (4) litigation can offer monetary compensation instead.⁶⁰

Causation. Holders would have to prove that enforcement of the Legislative Action would cause detriment to them, such as loss of expected payments or loss of bond value. Given that a fundamental premise of an Impairment is Legislative Action to the detriment of Holders, Holders should be able to show causation.

Likelihood. Holders would have to prove that harm is likely absent an injunction. Likely harm is a premise that makes the Legislative Action an Impairment in the first place. Thus, we assume Holders could prove likely harm absent an injunction.

Immediacy. If scheduled payments are disrupted by Legislative Action before a trial on the merits, immediate harm could be proven. If, however, a trial on the merits is possible before such harm will occur, the harm is not immediate enough to support a preliminary injunction.⁶¹ In addition, depressed bond values may be experienced before trial. The fact that diminished credit quality due to the Legislative Action leads to diminished Bond value also should be provable.

⁵⁷ Perfect 10, Inc. v. Google, Inc., 653 F.3d 976, 982 (9th Cir. 2011); see Garcia v. Google, Inc., 786 F.3d 733, 745 (9th Cir. 2015); Multi-Channel TV Cable Co. v. Charlottesville Quality Cable Operating Co., 22 F.3d 546, 551-552 (4th Cir. 1994) (irreparable harm found when the injury is directly caused by the challenged conduct).

⁵⁸ Winter, 555 U.S. at 22.

⁵⁹ See Real Time Med. Sys., Inc. v. PointClickCare Tech., Inc., 131 F.4th 205, 239-41 (4th Cir. 2025); Air Evac EMS, Inc. v. McVey, 37 F.4th 89, 102-03 (4th Cir. 2022).

⁶⁰ Sampson v. Murray, 415 U.S. 61, 90 (1974); see also, e.g., Mt. Valley Pipeline, LLC v. 6.56 Acres of Land, Owned by Sandra Townes Powell, 915 F.3d 197, 218 (4th Cir. 2019) (“It is true that when anticipated economic losses will be recoverable at the end of litigation, then those losses generally will not qualify as irreparable for purposes of preliminary relief.”).

⁶¹ See Roland Mach. Co. v. Dresser Indus., Inc., 749 F.2d 380, 386 (7th Cir. 1984) (only if plaintiff will suffer irreparable harm in period before final judgment following trial can preliminary injunction issue); but see Fed. Leasing, Inc. v. Underwriters at Lloyd’s, 650 F.2d 495, 500 (4th Cir. 1981) (holding that plaintiffs were entitled to preliminary injunctive relief where the economic losses threatened the very existence of the business) (citing Semmes Motors, Inc. v. Ford Motor Co., 429 F.2d 1197, 1205 (2d Cir. 1970); Amazon.com, Inc. v. WDC Holdings LLC, No. 20-1743, 2021 WL 3878403, at *8-9 (4th Cir. 2021) (holding that defendant’s assets were likely to become unavailable before judgment due to the likelihood of insolvency and plaintiffs were entitled to preliminary injunctive relief).

Alternative remedies. Unless the Commonwealth waives immunity, the Eleventh Amendment bars federal courts from granting money damages against the Commonwealth.⁶² Absent a Commonwealth waiver of immunity, money damages would be unavailable to redress the harm to Holders from the Legislative Action, supporting the inadequacy of relief available in a federal court.⁶³

Balance of Equities. Before issuing a preliminary injunction, a court identifies the harm that a preliminary injunction might cause the defendant and weighs it against plaintiff's threatened injury,⁶⁴ and may consider the equities of nonparties.⁶⁵ Here, a court will likely consider the balance of harm in the next stage of the analysis instead because assessing the harm to the opposing party and weighing the public interest merge when the government is the opposing party.⁶⁶

- ⁶² Lee-Thomas v. Prince George's Cty. Pub. Sch., 666 F.3d 244, 249 (4th Cir. 2012); Frew ex rel. Frew v. Hawkins, 540 U.S. 431, 437 (2004) (federal courts may not award retrospective relief, for instance, money damages or its equivalent, if state invokes its immunity).
- ⁶³ See Hutto, 773 F.3d at 547-49 ("state officials sued in their official capacities for retrospective money damages have the same sovereign immunity accorded to the State"); Commonwealth v. Biden, 57 F.4th 545, 556 (6th Cir. 2023) (explaining that governmental sovereign immunity "typically makes monetary losses ... irreparable"); Chamber of Com. of U.S. v. Edmondson, 594 F.3d 742, 756, 770-71 (10th Cir. 2010) (associations' members were likely to suffer irreparable harm from compliance costs related to state law that might total more than \$1,000 per business per year because such costs were unrecoverable as damages due to sovereign immunity); Entergy Nuclear Vt. Yankee, LLC v. Shumlin, 733 F.3d 393, 423 (2d Cir. 2013) (injunction supported in part because money damages unavailable to movant because of state immunity under Eleventh Amendment); KPMG LLP v. United States, 139 Fed.Cl. 533, 537 (Fed. Cl. 2018) ("[a]s a general principle, where plaintiff has no ability to recoup lost profits against the United States, the harm to the plaintiff is irreparable"); E. Bay Sanctuary Covenant v. Biden, 993 F.3d 640, 677 (9th Cir. 2021) (where parties cannot typically recover monetary damages flowing from their injury economic harm can be considered irreparable); Odebrecht Const., Inc. v. Secretary, Florida Dept. of Transp. 715 F.3d 1268, 1289 (11th Cir. 2013); Entergy, Arkansas, Inc. v. Nebraska, 210 F.3d 887, 899-900 (8th Cir. 2000) (chances for a preliminary injunction may be "heightened" where relief in the form of money damages is barred by the government's sovereign immunity); but see Black United Fund of N.J., Inc. v. Kean, 763 F.2d 156, 161 (3d Cir. 1985) ("[t]hat the Eleventh Amendment may pose an obstacle to recovery of damages in the federal court does not transform money loss into irreparable injury for equitable purposes").
- ⁶⁴ Scotts Co. v. United Indus. Corp., 315 F.3d 264, 284 (4th Cir. 2002); see Winter, 555 U.S. at 24; Earth Island Inst. v. Carlton, 626 F.3d 462, 475 (9th Cir. 2010) (assignment of weight to particular harms is matter for district courts to decide).
- ⁶⁵ Horwitz v. Southwest Forest Indus., Inc., 604 F. Supp. 1130, 1136 (D Nev. 1985); see Publications Int'l, Ltd. v. Meredith Corp., 88 F.3d 473, 478 (7th Cir. 1996).
- ⁶⁶ Assessing the harm to the opposing party and weighing the public interest "merge when the Government is the opposing party." Nken v. Holder, 556 U.S. 418, 435 (2009); Am. Fed'n of State, Cty. and Mun. Emp. AL-CIO v. Social Security, 2025 WL 1249608, at *63 (4th Cir. 2025); Daunt v. Benson, 956 F.3d 396, 422 (6th Cir. 2020); Drakes Bay Oyster Co. v. Jewell, 747 F.3d 1073, 1092 (9th Cir. 2014); Minard Run Oil Co. v. United States Forest Serv., 670 F.3d 236, 256 (3rd Cir. 2011).

Public Interest. In exercising their discretion, courts of equity “pay particular regard for the public consequences in employing the extraordinary remedy of injunction.”⁶⁷ And, “[a]ny time a State is enjoined by a court from effectuating statutes enacted by representatives of its people, it suffers a form of irreparable injury.”⁶⁸ However, some courts have determined there is no “blanket presumption in favor of the government in all preliminary injunction cases.”⁶⁹ The government does not have an interest in enforcing unconstitutional laws.⁷⁰ And financial concerns are not a paramount public interest.⁷¹

The function of preliminary injunctive relief is to preserve the latest uncontested status quo prior to the action which is the subject of the legal challenge.⁷² The latest uncontested status quo with respect to the Bonds prior to the challenged Legislative Action would appear to be the continued effectiveness of the Financing Order and the validity of the SAC Property and SAC Charges.

As discussed above, the likely primary harm to Holders would come from delinquent Bond payments or diminished Bond value. If the legislation merely targets the Commonwealth Pledge, without pursuing some larger public policy goal, a court would more likely view the Commonwealth as merely seeking to advance its own pecuniary interests (coinciding, likely, with actions prohibited by constitutional restrictions against impairment of contracts) and would likely see little public interest advanced. But if the Legislative Action is part of a larger public policy aim, and the modification or elimination of the Commonwealth Pledge is an important and integrated part of the statutory scheme, the court may weigh the public interest advanced by that Legislative Action to disfavor issuing the injunction.

⁶⁷ Winter, 555 U.S. at 24; Salazar v. Buono, 559 U.S. 700, 714 (2010); see also Int’l Refugee Assistance Project v. Trump, 857 F.3d 554, 602 (4th Cir. 2017) (“Even if Plaintiffs are likely to suffer irreparable harm in the absence of a preliminary injunction, we still must determine that the balance of the equities tips in their favor, ‘paying particular regard for the public consequences in employing the extraordinary remedy of injunction.’”) (internal citation omitted).

⁶⁸ Maryland v. King, 567 U.S. 1301, 1303 (2012) (Roberts, Circuit Justice) (internal quotes omitted); Pierce v. N.C. State Bd. of Elec., 97 F.4th 194, 225 (4th Cir. 2024); Planned Parenthood of Greater Tex. Surgical Health Servs. v. Abbott, 734 F.3d 406, 419 (5th Cir. 2013).

⁶⁹ Rodriguez v. Robbins, 715 F.3d 1127, 1145–46 (9th Cir. 2013).

⁷⁰ See, e.g., Am. Fed’n of State, Cty. and Mun. Emp., 2025 WL 1249608, at *62 (“There is generally no public interest in the perpetuation of unlawful agency action”), citing Louisiana v. Biden, 55 F.4th 1017, 1035 (5th Cir. 2022); Giovani Carandola, Ltd. v. Bason, 303 F.3d 507, 520-21 (4th Cir. 2002).

⁷¹ See Pashby v. Delia, 709 F.3d 307, 331 (4th Cir. 2013) (rejecting state’s proffered financial concerns as relevant public interest).

⁷² Univ. of Tex. v. Camenisch, 451 U.S. 390, 395 (1981) (“The purpose of a preliminary injunction is merely to preserve the relative positions of the parties until a trial on the merits can be held.”); United States v. South Carolina, 720 F.3d 518, 524 (4th Cir. 2013).

We cannot offer more than the framework above for assessing this element of the test of issuance of an injunction because much will depend on the particulars of the Legislative Action. But we strain to conceive of legislation that seeks broad public policy aims that cannot be achieved without modifying or eliminating the Commonwealth Pledge favoring Holders. Thus, we assume here that the public interest will not prevent a court from issuing an injunction.

Based on the foregoing, the Holders likely could satisfy these standards for temporary injunctive relief, and a temporary injunction to prevent an unconstitutional Impairment should be an available remedy.⁷³

B. Availability of Permanent Injunctive Relief in Federal Court

The requirements for a permanent injunction are essentially the same as for a preliminary injunction, except that the moving party must demonstrate actual success on the merits (prevailing at trial).⁷⁴ On that basis, we hold the same views regarding a permanent injunction as those we expressed above for a preliminary injunction.

III. Protections Afforded by Takings Clauses

A. Federal Takings Clause Protections

The Takings Clause of the Fifth Amendment of the United States Constitution—“nor shall private property be taken for public use, without just compensation”—is made applicable to state action via the Fourteenth Amendment.⁷⁵ The Federal Takings Clause covers both tangible and intangible property.⁷⁶ Rights under contracts can be property for purposes of the

⁷³ See Centro Tepeyac v. Montgomery Cty., 722 F.3d 184, 191 (4th Cir. 2013) (“That precedent counsels that ‘a state is in no way harmed by issuance of a preliminary injunction which prevents the state from enforcing restrictions likely to be found unconstitutional. If anything, the system is improved by such an injunction.’ It also teaches that ‘upholding constitutional rights surely serves the public interest.’”) (internal citations omitted).

⁷⁴ Mowery v. Nat’l Geospatial-Intelligence Agcy., 42 F.4th 428, 441 (4th Cir. 2022) (“Injunctions are not magic beans that may be handed out without any analysis of the underlying claims or a showing that such relief is warranted. Instead, courts grant injunctions, if at all, only after reviewing the factual basis and merits (or likelihood of success on the merits) of a claim.”); New York Civil Liberties Union v. New York City Transit Auth., 684 F.3d 286, 294 (2nd Cir. 2012); Perfect 10, 653 F.3d at 979–80.

⁷⁵ Webb’s Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S. 155, 160 (1980).

⁷⁶ Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1003-04 (1984).

Federal Takings Clause,⁷⁷ but legislation that “disregards or destroys” contract rights does not always constitute a taking.⁷⁸ Where intangible property is at issue, state law will determine whether a property right exists. If a court determines that an intangible asset is property, a court will next look to whether the owner of the property interest had a “reasonable investment-backed expectation” that the property right would be protected.⁷⁹

The United States Supreme Court has suggested that the Federal Takings Clause may be implicated by a diverse range of government actions, including when the government (a) permanently appropriates or denies all economically productive use of property;⁸⁰ (b) destroys property other than in response to emergency conditions;⁸¹ or (c) reduces, alters or impairs the

⁷⁷ Lynch v. United States, 292 U.S. 571, 577 (1934).

⁷⁸ Connolly v. Pension Benefit Guar. Corp., 475 U.S. 211, 224 (1986).

⁷⁹ 2 Ronald D. Rotunda & John E. Nowak, TREATISE ON CONSTITUTIONAL LAW: SUBSTANCE AND PROCEDURE § 15.12(a)(iii), at 971 (5th ed. 2012).

⁸⁰ Connolly, 475 U.S. at 225 (noting that in that case the government did not “permanently appropriate” any of the employer’s assets for its own use); Palazzolo v. Rhode Island, 533 U.S. 606, 617 (2001) (“regulation which ‘denies all economically beneficial or productive use of ‘land’ will require compensation under the Takings Clause”) (citing Lucas v. S.C. Coastal Council, 505 U.S. 1003, 1015 (1992), which notes that for personal property, however, some regulations that limit use of personal property may not be compensable takings given the state’s “traditionally high degree of [economic] control over commercial dealings,” id. at 1027-28); United States v. Sec. Indus. Bank, 459 U.S. 70, 77 (1982) (“The total destruction by the government of all compensable value of these liens, which constitute compensable property, has every possible element of a Fifth Amendment ‘taking’ and is not a mere ‘consequential incidence’ of a valid regulatory measure.”) (quoting Armstrong v. United States, 364 U.S. 40, 48 (1960)).

⁸¹ The emergency exception to the just compensation requirement of the Federal Takings Clause appears in several Supreme Court decisions. See generally 2 Rotunda & Nowak, supra, § 15.12(C), at 1013-1015. Several of these decisions involve the government’s activities during military hostilities. See, e.g., United States v. Caltex (Phil.), Inc., 344 U.S. 149 (1952) (no compensable taking when Army destroys property to prevent enemy forces from obtaining it); United States v. Cent. Eureka Mining Co., 357 U.S. 155 (1958) (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort); Nat’l Bd. of Young Men’s Christian Ass’ns v. United States, 395 U.S. 85 (1969) (no compensable taking where private property destroyed when U.S. troops take shelter there). Compare United States v. Pewee Coal Co., 341 U.S. 114 (1951) (plurality opinion) (compensable taking when occupation is physical rather than regulatory, emergency notwithstanding). The emergency exception is not limited to wartime activities, however. See, e.g., Miller v. Schoene, 276 U.S. 272 (1928) (no compensable taking where trees destroyed to prevent disease from spreading to other trees); Dames & Moore v. Regan, 453 U.S. 654 (1981) (no compensable taking resulting from executive order nullifying attachments on Iranian assets and permitting those assets to be transferred out of the country). The emergency exception is not limited to the physical destruction of property by the government, see Cent. Eureka Mining, 357 U.S. at 168, but the Supreme Court has suggested it does not apply to physical occupation of property, see Pewee, 341 U.S. at 116-17 (plurality opinion), or permanent appropriation, see Lingle v. Chevron U.S.A., Inc., 544 U.S. 528, 538 (2005), both of which constitute a per se taking. Moreover, we believe that a permanent appropriation of property by the government would be generally inconsistent with the concept of an “emergency.” See Cent. Eureka Mining, 357 U.S. at 168 (describing wartime restrictions as “temporary in character”).

value of property so as to unduly interfere with reasonable investment-backed expectations.⁸² In determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with legitimate property interests and distinct investment-backed expectations of bondholders.

The Supreme Court has identified two categories where regulatory action constitutes a per se taking—when the government by regulation “has physically taken property for itself or someone else,”⁸³ or deprived the owner of all economically beneficial use of the property.⁸⁴ Outside of these two narrow categories, challenges to regulations that interfere with protected property interests are governed by the three-part test set forth in Penn Central Transportation Co. v. City of New York.⁸⁵ Under that test, a regulation constitutes a taking if it denies a property owner “economically viable use” of that property, which is determined by three factors: (i) the character of the governmental action; (ii) the economic impact of the regulation on the claimant; and (iii) the extent to which the regulation has interfered with distinct investment-backed expectations.⁸⁶

The first factor requires the court to examine “the purpose and importance of the public interest underlying a regulatory imposition.”⁸⁷

The second factor incorporates the principle enunciated by Justice Holmes: “Government hardly could go on if to some extent values incident to property could not be diminished without paying for every such change in the general law.”⁸⁸ “Not every destruction or injury to property by governmental action has been held to be a ‘taking’ in the constitutional sense.”⁸⁹ Diminution in property value alone, thus, does not constitute a taking; there must be serious economic harm.

⁸² Connolly, 475 U.S. at 224-25 (noting that one point of Federal Takings Clause analysis is “the extent to which the regulation has interfered with distinct investment-backed expectations”) (quoting Penn Cent. Transp. Co. v. New York, 438 U.S. 104, 124 (1978)); Cent. Eureka Mining, 357 U.S. 155 (no compensable taking when government forces gold mines to cease operations to conserve resources for war effort).

⁸³ Cedar Point Nursery v. Hassid, 141 S. Ct. 2063, 2072 (2021).

⁸⁴ Lingle v. Chevron U.S.A., Inc., 544 U.S. 528, 538 (2005); Lucas, 505 U.S. at 1019.

⁸⁵ Penn Central, 438 U.S. 104, 124 (1978).

⁸⁶ Id.

⁸⁷ Maritrans Inc. v. United States, 342 F.3d 1344, 1356 (Fed. Cir. 2003); see also Keystone Bituminous Coal Ass’n v. DeBenedictis, 480 U.S. 470 (1987); see also Blackburn v. Dare Cty., 58 F.4th 807, 813-14 (4th Cir. 2023).

⁸⁸ Penn. Coal Co. v. Mahon, 260 U.S. 393, 413 (1922).

⁸⁹ Armstrong v. United States, 364 U.S. 40, 48 (1960).

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Under the third factor, the burden of showing interference with reasonable investment-backed expectations is a heavy one.⁹⁰ Thus, a reasonable investment-backed expectation “must be more than a ‘unilateral expectation or an abstract need.’”⁹¹ Further, “legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations.”⁹² “[T]he fact that legislation disregards or destroys existing contractual rights does not always transform the regulation into an illegal taking. . . . This is not to say that contractual rights are never property rights or that the Government may always take them for its own benefit without compensation.”⁹³ In order to sustain a claim under the Federal Takings Clause, the private party must show that it had a “reasonable expectation” at the time the contract was entered that it “would proceed without possible hindrance” arising from changes in government policy.⁹⁴

We are not aware of any case law that addresses the applicability of the Federal Takings Clause in the context of exercise by a state of its police power to abrogate or impair contracts otherwise binding on the Commonwealth or in the context of an amendment or repeal of the Securitization Law. The outcome of any claim that interference by the Commonwealth with the value of the SAC Property without compensation is unconstitutional, would likely depend on factors such as the Commonwealth interest furthered by that interference, per the first factor, and the extent of financial loss to Holders caused by that interference, per the second factor, as well as the extent to which courts would consider that Holders had a reasonable expectation that changes in government policy and regulation would not interfere with their investment, per the third factor.

With respect to the third factor, we note that the Securitization Law expressly provides for the creation of securitized asset cost property in connection with the issuance of the Bonds, and further provides that any related financing order shall remain in effect and the securitized asset cost property under such financing order shall continue to exist until the securitized asset cost bonds issued pursuant to such financing order have been paid in full or defeased and all Commission-approved financing costs of such securitized asset cost bonds have been recovered in full. Moreover, through the Commonwealth Pledge, the Commonwealth promised to “not take” a series of actions that would impair the value of the SAC Property, make certain reductions in the SAC Charges, or impair the rights and remedies of the Holders. See supra (quoting Va. Code § 56-249.8:K). Given the foregoing, and, as discussed above, in the absence of any contrary precedent under Virginia law that courts applying Federal Contracts Clause analysis would conclude that the Commonwealth Pledge constitutes a contractual relationship between the Holders and the Commonwealth, we believe it would be hard to dispute that Holders have reasonable investment expectations with respect to their investments in the Bonds.

⁹⁰ DeBenedictis, 480 U.S. at 493.

⁹¹ Monsanto, 467 U.S. at 1005-06 (quoting Webb’s Fabulous Pharmacies, 449 U.S. at 161).

⁹² Usery v. Turner Elkhorn Mining Co., 428 U.S. 1, 16 (1976).

⁹³ Connolly, 475 U.S. at 224.

⁹⁴ Chang v. United States, 859 F.2d 893, 897 (Fed. Cir. 1988).

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Based on our analysis of judicial authority discussed above, it is our opinion that, as set forth above, subject to all of the qualifications, limitations and assumptions set forth in this letter, including that the Securitization Law and the Commonwealth Pledge created a contractual obligation of the Commonwealth under state law, under the Federal Takings Clause, a reviewing court of competent jurisdiction would hold that the Commonwealth is required to pay just compensation to Holders if the Commonwealth's repeal or amendment of the Securitization Law or taking of any other action by the Commonwealth in contravention of the Commonwealth Pledge constituted a Substantial Taking. As noted earlier, in determining what is an undue interference, a court would consider the nature of the governmental action and weigh the public purpose served thereby against the degree to which it interferes with the legitimate property interests and distinct investment-backed expectations of the Holders. There can be no assurance, however, that any such award of just compensation would be sufficient to pay the full amount of principal of and interest on the Bonds.⁹⁵

* * * * *

This opinion letter may not be relied on in any manner or for any purpose by any person other than the addressees listed on Schedule A hereto nor may this opinion letter be relied on by you for any purpose other than for the transactions described herein without our prior written consent. This opinion letter may not be quoted, published, communicated or otherwise made available in whole or in part to any person (including, without limitation, any person who acquires

⁹⁵ A takings claim is generally not ripe until the government has made a final decision as to how a regulation will be applied to the property at issue. Pakdel v. City and County of San Francisco, 141 S. Ct. 2226, 2228, 2230 (2021). Although federal courts used to find a taking claim not ripe unless the owner had also sought and been denied compensation through whatever mechanisms state law provides, Williamson Cty. Reg'l Planning Comm'n v. Hamilton Bank of Johnson City, 473 U.S. 172, 186 (1985), the Supreme Court overruled that precedent in Knick v. Twp. of Scott, 139 S. Ct. 2162 (2019). There, the Court held that if a state or local government takes property without compensation, a property owner "can bring a federal suit" under 42 U.S.C. § 1983 (emphasis added), "without first bringing any sort of state lawsuit[.]" 139 S. Ct. at 2172–73 (quoting David A. Dana & Thomas W. Merrill, *PROPERTY: TAKINGS* 262 (2002)). The Court added, however, that if the state has an adequate procedure for obtaining compensation for the taking, there typically will be "no basis to enjoin the government's action effecting a taking," so equitable relief will be "generally unavailable" in federal court in takings cases. 139 S. Ct. at 2172–73. We express no opinion as to whether the Commonwealth provides any administrative or judicial procedures for seeking just compensation for a taking of the type of contract rights the Holders possess, or whether such procedures are "adequate." To the extent that there is a taking and state procedures for seeking just compensation are inadequate, Holders (or the Indenture Trustee on their behalf) or the Commission could seek to enjoin enforcement of the Commonwealth action by suing individual officers under Ex Parte Young, 209 U.S. 123, 155–56 (1908) and 42 U.S.C. § 1983.

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a Bond or any interest therein from an Underwriter) other than the addressees listed on Schedule A hereto without our specific prior written consent, except that (x) each of the Underwriters may furnish copies of this letter (i) to any of its accountants or attorneys, (ii) in order to comply with any subpoena, order, regulation, ruling or request of any judicial, administrative, governmental, supervisory or legislative body or committee or any self-regulatory body (including any securities or commodities exchange or the Financial Industry Regulatory Authority, Inc.), (iii) to any other person for the purpose of substantiating an Underwriter's due diligence defense and (iv) as otherwise required by law; provided, that none of the foregoing persons is entitled to rely hereon unless an addressee hereof, (y) a copy of this opinion letter may be posted by or at the direction of APCo or the Issuer to an internet website required under Rule 17g-5 promulgated under the Securities Exchange Act of 1934, as amended, and maintained in connection with the ratings on the Bonds solely for the purpose of compliance with such rule or undertakings pursuant thereto made by APCo or the Issuer. Such permission to post a copy of this letter to such website shall not be construed to entitle any person, including any credit rating agency, who is not an addressee hereof to rely on this opinion letter.

We hereby consent to the filing of this letter as an exhibit to the registration statement filed on Form SF-1 (Registration Nos. 333-293890 and 333-293890-01) filed by APCo and the Issuer on February 27, 2026 (as amended, the "Registration Statement"), and to all references to our firm included in or made a part of the Registration Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the related rules and regulations of the Securities and Exchange Commission.

This opinion letter is being given as of the date hereof, and we assume no obligation to update or supplement this opinion letter to reflect any facts or circumstances which may hereafter come to our attention with respect to the matters discussed herein, including any changes in applicable law which may hereafter occur.

Very truly yours,

/s/ Sidley Austin LLP

SCHEDULE A

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troutman.com

May 27, 2026

To Each of the Persons Listed
on Schedule A Attached Hereto

Re: Virginia State Constitutional Issues Related to Appalachian Power Recovery Funding LLC Series 2026-A Senior Secured SAC Bonds

Ladies and Gentlemen:

We have been engaged as special counsel in the Commonwealth of Virginia (the “Commonwealth”) by Appalachian Power Company (“APCo”) and Appalachian Power Recovery Funding LLC, a special purpose Delaware limited liability company (the “Issuer”), in connection with the issuance and sale on the date hereof by the Issuer of \$1,375,500,000 aggregate principal amount of the Issuer’s Series 2026-A Senior Secured SAC Bonds (the “Bonds”), which are more fully described in the Prospectus dated May 19, 2026. The Bonds are being sold pursuant to the provisions of the Underwriting Agreement dated May 19, 2026, among APCo, the Issuer, and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and RBC Capital Markets, as representatives of the underwriters named in Schedule I to the Underwriting Agreement (the “Underwriters”). The Bonds are being issued pursuant to the provisions of the Indenture (the “Original Indenture”) dated as of the date hereof, as supplemented by the Series Supplement dated as of the date hereof (together with the Original Indenture, the “Indenture”), among the Issuer, U.S. Bank Trust Company, National Association, as indenture trustee (the “Indenture Trustee”), and U.S. Bank National Association as securities intermediary. Under the Indenture, the Indenture Trustee holds, among other things, Securitized Asset Cost Property as described below as collateral security for the payment of the Bonds. All capitalized terms used herein and not otherwise defined shall have the meaning specified in Appendix A to the Indenture unless the context clearly indicates otherwise.

Overview

Pursuant to the financing order issued by the State Corporation Commission of Virginia (the “Commission”) on November 24, 2025, in Case No. PUR-2025-00116 (the “Financing Order”), “Securitized Asset Property” constitutes (i) all rights and interests of APCo, or its successor or assignee, under the Financing Order, including the right to impose, bill, charge, collect, and receive “Securitized Asset Cost Charges,” as defined under Va. Code § 56-249.8 A., authorized in the Financing Order and to obtain periodic adjustment to such Securitized Asset Cost Charges as provide in the Financing Order; and (ii) all revenues, collections, claims, rights to payments, payments, money or proceeds arising from the rights and interests specified in the Financing Order, regardless of whether such revenues, collections, claims, rights to payment, payments, money or proceeds are imposed, billed, charged, collected or received with, or maintained together with or commingled with, other revenues, collections, rights to payment, payments, money or proceeds.

The period for seeking rehearing or reconsideration of the Financing Order expired on December 15, 2025, and the period for filing a notice of appeal of the Financing Order expired on December 24, 2025. Accordingly, the Financing Order became final and non-appealable on December 24, 2025.

“Securitization Law” is defined for purposes of this Opinion as the provisions of Va. Code § 56-249.8. Under the Securitization Law, APCo may seek authorization to issue “Securitized Asset Cost Bonds,” as that term is defined in Va. Code § 56-249.8 A, that are secured by Securitized Asset Cost Property, including a dedicated “Securitized Asset Cost Charge”, as that term is defined in Va. Code § 56-249.8 A, that is separate and distinct from APCo’s base rates.

The Securitization Law provides, in relevant part, that subsequent to the transfer of Securitized Asset Cost Property to an assignee or the issuance of securitized asset cost bonds authorized thereby, whichever is earlier, the Financing Order shall be irrevocable and, except for changes made pursuant to the formula-based mechanism authorized in this section, the Commission shall not amend, modify, or terminate the Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust securitized asset cost charges approved in the Financing Order.¹

Pursuant to Va. Code § 56-249.8 K(1)-(2), the Securitization Law further provides that:

(1) The Commonwealth and its agencies, including the Commission, pledge and agree with bondholders, the owners of the securitized asset cost property, and other financing parties that the Commonwealth and its agencies shall not take any action listed in this subdivision. This subsection does not preclude limitation or alteration if full compensation is made by law for the full protection of the securitized asset cost charges collected pursuant to a financing order and of the bondholders and any assignee or financing party entering into a contract with the electric utility. The Commonwealth and its agencies, including the Commission, shall not:

a. Alter the provisions of this section that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of a financing order, to create securitized asset cost property, and to make the securitized asset cost charges imposed by a financing order irrevocable, binding, or non-bypassable charges;

¹ Va. Code § 56-249.8 B(2)(e).

- b. Take or permit any action that impairs or would impair the value of securitized asset cost property or the security for the securitized asset cost bonds or revises the securitized asset costs for which recovery is authorized;
 - c. In any way impair the rights and remedies of the bondholders, assignees, and other financing parties; or
 - d. Except for changes made pursuant to the formula-based adjustment mechanism authorized under this section, reduce, alter, or impair securitized asset cost charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related securitized asset cost bonds have been paid and performed in full.
- (2) Any person that issues securitized asset cost bonds may include the language specified in subdivision 1 in the securitized asset cost bonds and related documentation.

The language immediately above, including paragraph (1) in the block quote above, is referred to in this Opinion as the “Commonwealth Pledge.” As authorized by the foregoing statutory provision and the Financing Order, the language of the Commonwealth Pledge has been included in the Indenture and in the Bonds. The term “Prohibited Actions” refers to the actions listed in Va. Code § 56-249.8 K(1)(a)-(d).

Excepted from the Commonwealth Pledge are an alteration or limitation arising in connection with a Prohibited Action “if full compensation is made by law for the full protection of the securitized asset cost charges collected pursuant” to the Financing Order and full protection of “the bondholders and any assignee or financing party entering into a contract” with APCo.²

Opinions Requested

You have requested our opinion as to:

1. Whether the Securitization Law was duly enacted by the Virginia General Assembly of the Commonwealth (“General Assembly”) in accordance with all applicable Virginia laws and is in full force and effect.
2. Whether the Commonwealth Pledge unambiguously indicates the Commonwealth’s intent to be bound with the Holders and supports the conclusion that, for purposes of the Contract Clause of the Virginia Constitution, the Commonwealth Pledge constitutes a binding contractual relationship between the Commonwealth of Virginia and the Holders.

² Va. Code § 56-249.8 K(1).

3. Whether a Virginia state court would conclude that the Commonwealth Pledge (i) creates a binding contractual obligation of the Commonwealth for purposes of the Contract Clause of the Virginia Constitution and (ii) provides a basis upon which the Holders could challenge successfully under the Contract Clause of the Virginia Constitution any action by the General Assembly or any action by the Commission of a legislative character, including the rescission or amendment of the Financing Order, if that action violates the Commonwealth Pledge in a manner that substantially impairs or would substantially impair the value of the Securitized Asset Property, or substantially reduces, alters or impairs the value of the Securitized Asset Cost Charges, prior to the time that the Securitized Asset Cost Bonds are paid and performed in full, unless the action is a proper exercise of the Commonwealth's police power and the adjustment of the rights and responsibilities are based upon reasonable conditions and of a character appropriate to the public purpose justifying the action.
4. Whether, assuming applicable Virginia courts would apply a Takings Clause analysis under the Takings Clause of the Virginia Constitution, such courts of competent jurisdiction would hold that the Commonwealth would be required to pay just compensation to Holders if the General Assembly or the Commonwealth repealed or amended the Securitization Law or took any other action contravening the Commonwealth Pledge and doing so constituted a permanent appropriation of a substantial property interest of the Holders in the Securitized Asset Cost Property and deprived the Holders of their reasonable expectations arising from their investments in the SAC Bonds.

Documents Reviewed

In rendering the opinions set forth below, we examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the following (dated as of the date hereof unless otherwise indicated):

1. the Sale Agreement;
2. the Indenture;
3. the Intercreditor Agreement
4. the Registration Statement on Amendment 1 to Form SF-1 of the Issuer;
5. the Securitization Law and related public records referenced therein;
6. the Financing Order;

7. the Servicing Agreement by and between the Issuer and APCo dated as of the date hereof; and
8. such other documents, certificates, records and papers as we have deemed necessary or appropriate to render the opinions below.

The documents described above in items 1 through 7 are referred to herein as the “Opinion Documents.”

Assumptions

For purposes of the opinions expressed below, we assumed the following:

1. the authenticity of all documents submitted to us as originals;
2. the conformity to the originals of all documents submitted to us as copies and the authenticity of the originals thereof;
3. the legal capacity of natural persons;
4. the genuineness of all signatures;
5. the good standing, due authorization, requisite entity authority of, and the execution and delivery of all documents by, all parties in each of their respective capacities thereunder;
6. the validity, binding effect and enforceability of all documents, including the enforceability of the Opinion Documents as to the Opinion Parties;
7. except to the extent expressly set forth in our opinions herein as to the Opinion Parties with respect to the consummation of the transactions under the Opinion Documents, that the consummation of the transactions under the Opinion Documents by each party thereto as to its respective obligations under such documents do not violate the law of any jurisdiction where such obligations are to be incurred or performed or the law of any other applicable jurisdiction;
8. in accordance with our separate legal opinion of even date herewith as to the Financing Order, the Financing Order was duly authorized and issued by the Commission in accordance with applicable Virginia statutes, rules and regulations; the Financing Order and the process by which it was issued comply with applicable Virginia statutes, rules, and regulations; and that the Financing Order is in full force and effect and is final and non-appealable;
9. that all information contained in the necessary filings is materially accurate and up to date;

10. that the Issuer and all parties to the Opinion Documents are operating, and will continue to operate, in accordance with all applicable federal, state, and local laws;
11. that, since the original date of execution or issuance therefor, no Opinion Document has been amended, restated, modified, supplemented, terminated, appealed, or otherwise changed and that no rights pursuant thereto have been released, waived, or modified either expressly or by any action or inaction of the parties thereto; and
12. that any legislation enacted by the General Assembly, or supplemental order adopted by the Commission, impairing the value of the Bonds would constitute a “substantial” modification of the provisions of the Securitization Law or the Financing Order that provide support for the Bonds (and is done without providing full compensation for the Bondholders). The determination of whether particular governmental action of a legislative character constitutes a substantial impairment of a particular contract is a fact-specific analysis, and nothing in this Opinion expresses any opinion as to how a court would resolve the issue of “substantial impairment” with respect to the Bonds in relation to any particular action.

Limitations and Qualifications

Our opinions expressed below are subject to the following limitations and qualifications:

1. our opinions are limited solely to the opinions requested herein and are based on the Virginia Constitution and relevant laws of the Commonwealth of Virginia and the published rules, regulations and decisions promulgated thereunder by the Commission and the courts of the Commonwealth of Virginia, in each case in effect as of the date of this opinion letter (collectively, the “Virginia Laws”);
2. we express no opinion as to any other laws, rules, regulations or decisions of any other jurisdiction, including any other laws, rules, regulations or decisions of the Commonwealth of Virginia;
3. various issues relating to federal, state and local laws are addressed in other opinion letters provided to you by Troutman Pepper Locke LLP, and Sidley Austin LLP, and we express no opinion with respect to those matters herein;
4. except as set forth in our legal opinion of even date herewith as to the Financing Order, we did not independently review the manner in which any Commission applications or notices were processed;
5. the opinions expressed herein are limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein; and

6. the opinions expressed herein do not constitute a prediction or guaranty of the outcome of any particular litigation, and there can be no assurance that an action will not be brought in federal or state court challenging the provisions of the Securitization Law or the Financing Order relating to the Bonds.
7. the opinions expressed herein should not be construed to imply assurance that a repeal of or amendment to the Securitization Law or the Financing Order will not be sought or enacted or adopted, or that any other action by the Commonwealth (including the Virginia legislature or the Commission) will not occur, any of which might constitute a violation of the Commonwealth Pledge.
8. judicial analysis of issues relating to the opinions expressed herein has typically proceeded on a case-by-case basis and courts' determinations, in most instances, are usually strongly influenced by the facts and circumstances of the particular case. We are not aware of any reported controlling judicial precedents directly on point with respect to the opinions expressed herein. Our analysis is necessarily a reasoned application of judicial decisions involving similar or analogous circumstances. We cannot predict the facts and circumstances which will be present in the future and may be relevant to the exercise of such discretion, and the opinions expressed herein are not guarantees or warranties and should not be construed as such.

Discussion

A. Enactment of the Securitization Law.

This section of this Opinion addresses whether the Securitization Law, as contained in Senate Bill (“**SB**”) 1076 and House Bill (“**HB**”) 2621 proposed during the General Assembly’s 2025 legislative session, was duly enacted by the General Assembly and approved by the Governor of the Commonwealth (“**Governor**”) in accordance with all applicable Virginia laws and is in full force and effect.

SB 1076 was prefiled on January 7, 2025, and referred to the Senate Committee on Commerce and Labor, where it was then reported favorably on February 3, 2025. On February 4, 2025, SB 1076 was introduced on the Senate floor with a substitute, where its first reading was dispensed, read a second time, and had its third reading dispensed. SB 1076 passed the Senate on February 4, 2025, and was read the first time on February 7, 2025. It was referred to the House Committee on Labor and Commerce on February 7, 2025. SB 1076 was reported from the House Committee on Labor and Commerce on February 13, 2025, with a substitute. SB 1076 was read in the House the second and third times on February 17, 2025, and February 18, 2025, respectively, and ultimately passed the House with the committee substitute on February 18, 2025. On February 19, 2025, the Senate rejected the House substitute. On February 20, 2025, the House requested a conference committee to which the Senate agreed. On February 22, 2025, the conference committee agreed on a substitute, to which the House and Senate unanimously agreed that same day. SB 1076 was enrolled on March 7, 2025, signed by the Speaker of the House that same day, and signed by the President of the Senate on March 10, 2025. SB 1076 was sent to the Governor on March 11, 2025, and ultimately approved by the Governor on March 24, 2025. SB 1076 was enacted as Chapter 597 of the 2025 Virginia Acts of Assembly.

HB 2621 was presented on January 13, 2025, and referred to the House Committee on Labor and Commerce that same day. HB 2621 was then referred to House Committee on Labor and Commerce Subcommittee #3 on January 24, 2025, where it was then recommended to be reported with a substitute on January 28, 2025. On January 30, 2025, the House Committee on Labor and Commerce reported HB 2621 with a substitute. It was read a first and second time in the House on February 2, 2025, and February 3, 2025, respectively. The House Committee on Labor and Commerce substitute was rejected on February 3, 2025, and a floor substitute that was further amended printed that same day. The House read for the third time and passed HB 2621 with the floor substitute as amended on February 4, 2025. On February 5, 2025, HB 2621 was introduced on the Senate floor, where its first reading was dispensed and referred to the Senate Committee on Commerce and Labor. HB 2621 was then reported from the Senate Committee on Commerce and Labor on February 17, 2025, with a substitute. The Senate then dispensed of the second reading on February 18, 2025, and read it a third time on February 19, 2025, with the reading of the substitute waived. HB 2621 passed the Senate with the Senate Committee on Commerce and Labor substitute on February 19, 2025, and was returned to House on February 20, 2025, where the House rejected it. On February 20, 2025, the Senate requested a conference committee to which the House agreed. On February 22, 2025, the conference committee agreed on a substitute, to which the House and Senate unanimously agreed that same day. HB 2621 was enrolled on March 7, 2025, signed by the Speaker of the House that same day, and signed by the President of the Senate on March 10, 2025. HB 2621 was sent to the Governor on March 11, 2025, and ultimately approved by the Governor on March 24, 2025. HB 2621 was enacted as Chapter 497 of the 2025 Virginia Acts of Assembly.

The constitutionality of acts of the General Assembly has been challenged for several reasons under Virginia law, including, but not limited to, issues relating to due process, equal protection, and separation of powers. If anyone were to challenge the enactment of the Securitization Law, we believe the most likely challenges would relate to the legislation's subject and title or whether the legislation constitutes "special" legislation.

The Virginia Constitution states, in relevant part, that "[n]o law shall embrace more than one object, which shall be expressed in its title."³ The purposes of this constitutional provision "is to prevent the members of the legislature and people from being misled by the title to a law[,] and to "prevent the use of deceptive titles as a cover to vicious legislation and the practice of bringing together for corrupt purposes subjects diverse and dissimilar in their nature and having no necessary connection with each other, and for the prevention of fraud in legislation by means

³ Va. Const. Art. IV, § 12.

of provisions in bills of which the title gives no intimation.”⁴ Acts of the General Assembly “are presumed to be constitutional both as to title and text.”⁵ Further, “[t]he title of the act in question plainly shows with what it is dealing and should be held to be sufficient where it fairly identifies and is in furtherance of the object expressed therein.”⁶ This provision of the Virginia Constitution “is to be liberally construed so as to uphold the law if practicable. All that is required is that the subjects embraced in the statute but not specified in the title are congruous and have natural connection with or are germane to the subject in the title.”⁷

SB 1076 (as enacted by Chapter 597 of the 2025 Virginia Acts of Assembly) and HB 2621 (as enacted by Chapter 497 of the 2025 Virginia Acts of Assembly) are both titled: “*An Act to amend and reenact § 56-585.8 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 56-249.8 and by adding in Chapter 23 of Title 56 a section numbered 56-596.5, relating to Phase I Utilities; securitized asset costs; biennial rate reviews; rate increases in certain months prohibited.*” Here, the subject of SB 1076 and HB 2621 primarily is the Securitization Law, but both address other provisions relating to APCo’s biennial rate reviews and rate increases, more generally. The titles of SB 1076 and HB 2621 both reference the Securitization Law specifically in the title (via reference to the new Va. Code § 56-249.8), as well as “securitized asset costs[.]” “biennial rate reviews[.]” and “rate increases in certain months prohibited.” Accordingly, if challenged on this basis, we believe a Virginia court would find that the titles of SB 1076 and HB 2621 adequately describe the subject of the legislation.

The Virginia Constitution further mandates, in relevant part, that “the General Assembly shall enact general laws[.]” and “[n]o private corporation, association, or individual shall be specially exempted from the operation of any general law, nor shall a general law’s operation be suspended for the benefit of any private corporation, association, or individual.”⁸ A law is “general” in this context “though it may immediately affect a small number of persons, places or things, provided, under named conditions and circumstances, it operates alike on all who measure up to its requirements.”⁹ A law is “special” in this context “when it contains an inherent limitation that arbitrarily separates some persons, places, or things from those on which, without such

⁴ *Kingan, Inc. v. Richmond*, 198 Va. 820, 822 (1957) (citing *Commonwealth v. Brown*, 91 Va. 762, 771, 774 (1895)).

⁵ *Id.* (citing *Good v. Commonwealth*, 155 Va. 996, 1000 (1930)).

⁶ *Id.*

⁷ *Id.*

⁸ Va. Const. Art. IV, § 15.

⁹ *W.S. Carnes, Inc. v. Bd. Of Supervisors*, 252 Va. 377, 385 (1996) (quoting *Bray v. Cnty. Bd.*, 195 Va. 31, 36 (1953)).

separation, it would also operate.”¹⁰ Litigants “challenging a statute as an illegitimate special law shoulder a “‘heavy burden’...one calculated to safeguard the maxim that all ‘legislative acts are ‘presumed to be constitutional[.]’”¹¹ Virginia courts “are required to resolve any reasonable doubt regarding the constitutionality of a statute in favor of its validity.”¹² “To doubt is to affirm.”¹³

“The essence of prohibited special legislation is the existence of an arbitrary separation of persons, places, or things of the same general class, with the result that some of them will, and some will not, be affected by the law...[n]onetheless, constitutional prohibitions against special laws do not proscribe classification.”¹⁴ The classification must, however, “‘be natural and reasonable, and appropriate to the occasion.’”¹⁵ Indeed, “legislation pertains to specific classifications of persons, places, or property. Such an enactment is nonetheless ‘general,’ provided the classification is reasonable, not arbitrary, and applies to all persons who are similarly situated as well as to all parts of the State where like conditions exist.”¹⁶ The “‘necessity for and the reasonableness of classification are primarily questions for the legislature. If any state of facts can be reasonably conceived, that would sustain it, that state of facts at the time the law was enacted must be assumed.’”¹⁷

The Securitization Law applies to “electric utilities,” which are defined as a “Phase I Utility” as that term is defined in Va. Code § 56-585.1 A(1). Under that provisions a “Phase I Utility” is “an investor-owned incumbent electric utility that was, as of July 1, 1999, not bound by a rate case settlement adopted by the Commission that extended in its application beyond January 1, 2002[.]” Here, the Securitization Act applies equally to the entire class – Phase I Utilities – and that classification is reasonable and not arbitrary. For example, the Securitization Law allows a Phase I Utility to securitize storm recovery costs incurred on or after January 1, 2024, that are associated with major storms, extraordinary weather events, or natural disasters affecting the Phase I Utility’s Virginia ratepayers. APCo’s Virginia service territory experienced an unusual number of extreme weather events in 2024 and 2025, necessitating significant restoration efforts. In absence of the Securitization Law, APCo would seek recovery of storm recovery costs through its base rates over a much shorter period than allowed by the Securitization Law, significantly increasing base rates.

¹⁰ *Id.* (citing *Bray*, 195 Va. at 36-37).

¹¹ *Laurels of Bon Air, LLC v. Med. Facilities of Am. LIV Ltd. P’ship*, 51 Va. App. 583, 597 (2008) (quoting *Holly Hill Farm Corp. v. Rowe*, 241 Va. 425, 432 (1991); *In re Phillips*, 265 Va. 81, 85 (2003).

¹² *Phillips*, 265 Va. 81 at 86-87; see also, e.g., *Holly Hill Farm Corp.*, 241 Va. at 430.

¹³ *Peery v. Bd. of Funeral Dirs.*, 203 Va. 161, 165 (1961).

¹⁴ *Holly Hill Farm Corp.*, 241 Va. at 430.

¹⁵ *Id.* (citation omitted).

¹⁶ *Id.* at 430-31.

¹⁷ *Id.* at 431 (citations omitted).

For the foregoing reasons, it is our opinion that the Securitization Law, as embodied in SB 1076 and HB 2621, was enacted in accordance with the applicable provisions of the Virginia Constitution. Finally, based on our review, we are unaware of any pending appeal or litigation challenging the validity of the Securitization Law.

B. The Virginia Contract Clause.

The Virginia Constitution mandates “that the General Assembly shall not pass any law impairing the obligation of contracts[.]”¹⁸ “The Virginia [Contract Clause] has been interpreted by [the Supreme Court of Virginia] in a manner similar to the treatment of the federal clause by the United States Supreme Court.”¹⁹ Va. Code § 1-239 similarly provides that, generally, new legislation should not be interpreted to impair existing contract rights. The Virginia Contract Clause (and by extension, Section 1-239), however are:

not “the Draconian provision that its words might seem to imply.” The proscription against enacting statutes that impair the obligation of contracts does not prevent the State from exercising power that is vested in it for the common good, even though contracts previously formed may be affected thereby. “This power, which in its various ramifications is known as the police power, is an exercise of the sovereign right of the Government to protect the lives, health, morals, comfort and general welfare of the people, and is paramount to any rights under contracts between individuals.”²⁰

Thus, “a contract...must be considered as containing an implied condition that it is subject to the exercise of the State’s regulatory police power. Such sovereign power of the government to protect the general welfare of the people of the State is paramount to any rights which may be acquired by individuals by virtue of any contracts between them.”²¹

¹⁸ Va. Const. Art. 1, § 11.

¹⁹ *Working Waterman’s Ass’n v. Seafood Harvesters, Inc.*, 227 Va. 101, 109 (1984).

²⁰ *Id.* at 109-10, (quoting *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 240-41 (1978) (other citations omitted)).

²¹ *Haughton v. Lankford*, 189 Va. 183, 190-91 (1949).

Virginia courts employ a three-step analysis when balancing “the interplay between Virginia’s constitutional obligation not to adopt legislation which impairs the obligation of contracts and the exercise of its police power.”²² First, the court must examine the contractual rights affected by the statute; second, the court considers whether application of the statute operates as a “substantial impairment” to those contractual rights; and third, the court analyzes whether the statute is a proper exercise of the Commonwealth’s police power, as well as its nature and purpose.²³

1. The Existence Under the Virginia Contract Clause of a Binding Contract Between the Commonwealth and the Holders.

We are not aware of any Virginia cases that analyze the Securitization Law (or anything closely analogous thereto) relative to the Virginia Contract Clause. As discussed above, the Commonwealth Pledge provides (in relevant part) that:

The Commonwealth and its agencies, including the Commission, pledge and agree with bondholders, the owners of the securitized asset cost property, and other financing parties that the Commonwealth and its agencies shall not take any action listed in this subdivision... [t]he Commonwealth and its agencies, including the Commission, shall not:

- a. Alter the provisions of this section that authorize the Commission to create an irrevocable contract right or chose in action by the issuance of a financing order, to create securitized asset cost property, and to make the securitized asset cost charges imposed by a financing order irrevocable, binding, or non-bypassable charges;
- b. Take or permit any action that impairs or would impair the value of securitized asset cost property or the security for the securitized asset cost bonds or revises the securitized asset costs for which recovery is authorized;
- c. In any way impair the rights and remedies of the bondholders, assignees, and other financing parties; or
- d. Except for changes made pursuant to the formula-based adjustment mechanism authorized under this section, reduce, alter, or impair securitized asset cost charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related securitized asset cost bonds have been paid and performed in full.

²² *Heublein, Inc. v. Dept. of Alcoholic Beverage Control*, 237 Va. 192, 196 (1989) (following *Waterman’s*, 227 Va. at 111-12, 314 S.E.2d at 165).

²³ *Id.*

(2) Any person that issues securitized asset cost bonds may include the language specified in subdivision 1 in the securitized asset cost bonds and related documentation.²⁴

Accordingly, based on the plain language above, including the reference to the Commission’s authority to create an irrevocable contract right through issuance of the Financing Order, we believe that a Virginia court would find that the Commonwealth Pledge unambiguously indicates the Commonwealth’s intent to be bound with the Holders and creates a binding contractual relationship between the Commonwealth and the Holders with respect to application of the Virginia Contract Clause.

2. Substantial Impairment.

For purposes of determining whether a substantial impairment of a contractual obligation exists under the Virginia Contract Clause, “[t]he obligation of a contract consists in its binding force on the party who makes it.”²⁵ Changes in the laws that make a contract legally enforceable may trigger Contract Clause scrutiny if they impair the obligation of pre-existing contracts.²⁶ Accordingly, we believe a Virginia court likely would consider a repeal of the Commonwealth Pledge or Financing Order, or any alteration or modification to the Commonwealth Pledge or Financing Order that changes legal enforceability thereof, to constitute an impairment under the Virginia Contract Clause.

If a Virginia court determines that an impairment exists, it must determine if such impairment is substantial.²⁷ Where an impairment exists, “the severity of the impairment measures the height of the hurdle the state legislation must clear.”²⁸ Additionally, in determining the extent of the impairment, Virginia courts must “consider whether the industry the complaining party has entered has been regulated in the past.”²⁹ The Virginia Contract Clause, however, does impose some limit on the State’s power ‘to abridge existing contractual relationships, even in the exercise of its otherwise legitimate police power,’ particularly when the State itself is a party to an impacted contract.³⁰

²⁴ Va. Code § 56-249.8 K(1)-(2).

²⁵ *Gen. Motors Corp. v Romein*, 503 U.S. 181, 189 (1992) (citation omitted).

²⁶ *Id.*

²⁷ *Heublein*, 237 Va. at 196.

²⁸ *Waterman’s*, 227 Va. at 111.

²⁹ *Va. Elec. & Power Co. v. State Corp. Comm’n*, 300 Va. 153, 175 (2021) (Kelsey, J. dissenting) (quoting *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 242 (1978)).

³⁰ *Waterman’s*, 227 Va. at 110 (quoting *Allied Structural Steel Co.*, 438 U.S. at 242).

In *Waterman's*, clam harvesters leased clam planting grounds from the Commonwealth, and used hydraulic dredges to harvest the clams pursuant to experimental permits. The General Assembly subsequently passed legislation prohibiting the use of hydraulic dredges due to concerns about their environmental impacts.³¹ The clam harvesters argued that the statute was unconstitutional as applied to them. The Supreme Court of Virginia disagreed, finding in relevant part that the statute did not impact the clam harvester's exclusive right to "use and occupy" the grounds and take clams from the beds or change any of the other rights or duties established under the leases – rather, it merely prohibited the harvesting of clams by one method (hydraulic dredge).³² Thus, the statute was a "police power restriction on the mode by which the plaintiffs may exercise their right, but it does not affect substantially the right to harvest the shellfish or the exclusiveness of the right."³³

In *Heublein*, by contrast, the Supreme Court of Virginia considered a statute intended to apply to certain agreements involving the heavily-regulated alcoholic beverage industry that were entered before the legislation became effective. The statute removed any discretionary right an alcohol supplier had to terminate a contract with a wholesaler in the six-month period before the statute became effective.³⁴ The Supreme Court of Virginia found that the statute was a "severe alteration of contractual obligations."³⁵

Accordingly, we are of the opinion that Virginia court would consider a repeal of the Commonwealth Pledge or Financing Order, or any alteration or modification to the Commonwealth Pledge or Financing Order that changes legal enforceability thereof or substantially impairs or would substantially impair the value of the Securitized Asset Property, or substantially reduces, alters, or impairs the value of the Securitized Asset Cost Charges, to be a substantial impairment under the Virginia Contract Clause.

³¹ *Id.* at 106.

³² *Id.* at 112.

³³ *Id.*

³⁴ *Heublein*, 237 Va. at 197.

³⁵ *Id.*

3. Justification for Substantial Impairment.

Both the Supreme Court of Virginia and the United States Supreme Court agree that “[m]inimal alteration of contractual obligations may end the inquiry[.] Severe impairment, on the other hand, will push the inquiry to a careful examination of the nature and purpose of the state legislation.”³⁶ Generally, contracts “must be considered as containing an implied condition that [they are] subject to the exercise of the State’s regulatory police power. Such sovereign power of the government to protect the general welfare of the people of the State is paramount to any rights which may be acquired by individuals by virtue of any contracts between them.”³⁷ The Supreme Court of Virginia further noted that the Virginia Contract Clause “does impose some limit on the State’s power ‘to abridge existing contractual relationships, even in the exercise of its otherwise legitimate police power,’” particularly when the State itself is a party to an impacted contract.³⁸

In Virginia, the police power includes the power “‘to promote the health, peace, morals, education[,] and good order of the people, and to legislate so as to increase the industries of the State, develop its resources, and add to its wealth and prosperity[.]’”³⁹ The police power further includes the ability to regulate and control public service corporations and related rates.⁴⁰ While legislation impacting the Securitization Law or Commission action impacting the Financing Order could fall under the Commonwealth’s broad regulatory police power, that is not the end of the analysis. A Virginia court must further consider whether the “‘adjustment of ‘the rights and responsibilities of contracting parties [is based] upon reasonable conditions and [is] of a character appropriate to the public purpose justifying [the legislation’s] adoption.’”⁴¹ “‘Unless the State itself is a contracting party... ‘courts properly defer to legislative judgments as to the necessity and reasonableness of a particular measure.’”⁴² But “[w]hen a State itself enters into a contract, it cannot simply walk away from its financial obligations... [w]hen the State is a party to the contract, ‘complete deference to a legislative assessment of reasonableness and necessity is not appropriate because the State’s self-interest is at stake.’”⁴³

³⁶ *Waterman’s*, 227 Va. at 111-12, (quoting *Allied Structural Steel Co.*, 438 U.S. at 245).

³⁷ *Haughton v. Lankford*, 189 Va. 183, 190 (1949).

³⁸ *Waterman’s*, 227 Va. at 110 (quoting *Allied Structural Steel Co.*, 438 U.S. at 242).

³⁹ *Elizabeth River Crossings OpCo, LLC v. Meeks*, 286 Va. 286, 321 (2013) (citations omitted).

⁴⁰ *Commonwealth ex rel. Page Milling Co. v. Shenandoah River Light & Power Corp.*, 135 Va. 47, 63 (1923); see also, e.g., *Pacific Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm’n*, 461 U.S. 1, 205-06 (1983) (finding that the regulation of need and pricing for electric generation generally is reserved to the states under their police power); *Ark. Elec. Coop. v. Ark. Pub. Serv. Comm’n*, 461 U.S. 375, 377 (1983) (“[T]he regulation of utilities is one of the most important of the functions traditionally associated with the police power of the States.”); *Union Dry Goods Co. v. Ga. Pub. Serv. Corp.*, 248 U.S. 372, 374-75 (1919) (holding distribution and sale of electricity to the public is subject to state regulation).

⁴¹ *Energy Rsrvs. Grp. v. Kan. Power & Light Co.*, 459 U.S. 400, 412 (1983) (citation omitted).

⁴² *Id.* at 412-13 (citation omitted). See also, e.g., *Keystone Bituminous Coal Ass’n v. DeBenedictis*, 480 U.S. 470, 505 (1987) (same).

⁴³ *Id.* at 412, n. 14.

Accordingly, a Virginia court is more likely to find permissible an exercise of the Commonwealth’s police power that is a “generally applicable rule of conduct designed to advance ‘a broad societal interest,’” in contrast to a rule “limited in effect to contractual obligations or remedies.”⁴⁴ Indeed, in *Heublein*, involving the heavily-regulated alcoholic beverage industry, the Supreme Court of Virginia found that the statute at issue there (eliminating alcohol suppliers’ discretionary right to terminate a contract with a wholesaler) was “simply an effort to protect a small group of wholesalers from possible economic loss,” and therefore violated the Virginia Contract Clause.⁴⁵

The Commonwealth through the Commonwealth Pledge is expressly a party to the contract created by the Commonwealth Pledge: “[t]he Commonwealth and its agencies, including the Commission, *pledge and agree with* the bondholders, the owners of the securitized asset cost property, and other financing parties” not to undertake the Prohibited Actions. Given the nature of the Commonwealth Pledge, a Virginia court reviewing the justification for action by the General Assembly or any action of the Commission of a legislative nature impairing the Commonwealth Pledge or Financing Order is unlikely to conclude such action was intended to protect in general the Commonwealth’s citizens as APCo is the only utility to receive a financing order under the Securitization Law and therefore any action by the General Assembly modifying or repealing the Commonwealth Pledge would by necessity be directed at a single utility – APCo – and not a “generally applicable rule of conduct designed to advance ‘a broad societal interest[.]’”⁴⁶

C. The Virginia Takings Clause.

The Virginia Constitution provides that “[n]o private property shall be damaged or taken for public use without just compensation to the owner thereof. No private property shall be damaged or taken for public use without just compensation to the owner thereof.”⁴⁷ The Virginia Takings Clause applies to the imposition of rates by a regulatory body on private property that is offered as a public good.⁴⁸ Accordingly, APCo could bring a constitutional challenge to any action of the General Assembly or any action of the Commission of a legislative nature that substantially impairs APCo’s ability to recover the Securitized Asset Cost Charges.

⁴⁴ *Exxon Corp. v. Eagerton*, 462 U.S. 176, 191 (1993) (citations omitted) (favorably distinguishing such “generally applicable” legislation from legislation specifically intended to repeal or modify existing contracts).

⁴⁵ *Heublein*, 237 Va. at 197.

⁴⁶ *Exxon Corp.*, 462 U.S. at 191 (citations omitted).

⁴⁷ Va. Const. Art. I, § 11.

⁴⁸ *See, e.g., Toll Rd. Invs. P’ship II L.P. v. State Corp. Comm’n*, 304 Va. 352, 368-70 (2025); *Roanoke Waterworks Co. v. Commonwealth*, 140 Va. 144, 170 (1924); *Petersburg Gas Co. v. City of Petersburg*, 132 Va. 82, 89 (1922).

Virginia law “recognizes inverse condemnation as a viable theory of recovery for de facto violations of Article I, Section 11” of the Virginia Constitution.⁴⁹ Property “taken or damaged for public use” bestows “on the owner a right to ‘sue upon an implied contract that he will be paid therefor such amount as would have been awarded if the property had been condemned under the eminent domain statute.’”⁵⁰ For purposes of the Virginia Constitution, property is “damaged” where “the corpus of the owner’s property itself, or some appurtenant right or easement connected therewith, or by the law annexed thereto, is directly...affected, and is also specially affected (that is, in a manner not common to the property owner and to the public at large).”⁵¹ The prohibition against taking or damaging “private property...except for public use” without just compensation applies to both real and personal property, regardless of whether the personal property “has been transformed into real property under fixture law[.]”⁵² The Supreme Court of Virginia has not defined “personal property” in the inverse condemnation context, but at least one Virginia circuit court relied on the Black’s Law Dictionary definition for “personal property,” which is “[g]enerally, all property other than real estate; as goods, chattels, money, notes, bonds, stocks and choses in action generally, including intangible property.”⁵³

Although the Securitization Law states that “[a]ll securitized asset cost property that is specified in a financing order shall constitute an existing, present intangible property right or interest therein[.]”⁵⁴ we are not aware of any Virginia case law that addresses the applicability of an inverse condemnation claim within the context of the Securitization Law, or anything closely related thereto.

Relatedly, the Supreme Court of Virginia previously held that where valid exercises of the Commonwealth’s police power result in “substantial diminution of property values, an owner has no right to compensation therefor” because “[a]ll citizens hold property subject to the proper exercise of the police power for the common good.”⁵⁵ As discussed above, there are credible arguments that a repeal or significant modification of the Commonwealth Pledge or Financing Order which substantially impairs the Securitized Asset Property would not be a valid use of the Commonwealth’s police power.

⁴⁹ *ACGS Marine Ins. Co. v. Arlington Cty.*, 293 Va. 469, 478 (2017).

⁵⁰ *Id.* at 477-78 (emphasis omitted) (quoting *Burns v. Bd. of Supvrs.*, 218 Va. 625, 627 (1977)).

⁵¹ *Livingston v. Va. Dept. of Trans.*, 284 Va. 140, 155-56 (2012) (citation omitted).

⁵² *ACGS Marine Ins. Co.*, 293 Va. at 496.

⁵³ *PM Lube, LLC v. Cty. of Loudoun*, 100 Va. Cir. 395, 401 at n.3 (2018).

⁵⁴ Va. Code § 56-249.8 E(1)(a).

⁵⁵ *Comm ex. rel. State Water Control Bd. v. Cnty. Utilities Corp.*, 223 Va. 534, 542 (1982) (citations omitted).

Because there is an absence of judicial precedent directly on point, it is uncertain whether a hypothetical inverse condemnation claim would succeed with respect to an alleged “taking” under the Securitization Act. Assuming applicable Virginia courts would apply a Takings Clause analysis under the Takings Clause of the Virginia Constitution, we believe that courts of competent jurisdiction would hold that the Commonwealth would be required to pay just compensation to Holders if the General Assembly or the Commonwealth repealed or amended the Securitization Law or took any other action contravening the Commonwealth Pledge. If such a claim succeeds, however, there can be no assurance that any award of just compensation would be sufficient to pay the full amount of the principal and interest on the Bonds.

For the foregoing reasons, we believe the Virginia Contract Clause would provide a clearer basis for challenging an impairment of the Securitized Asset Property.

Opinions

Based on the foregoing and in reliance thereon, and subject to the limitations, assumptions, exceptions, qualifications and other matters identified herein, we are of the opinion that as of the date hereof:

1. The Securitization Law was duly enacted by the Virginia legislature in accordance with all applicable Virginia laws, is in full force and effect, and we are unaware of any pending appeal or litigation challenging the validity of the Securitization Law.
2. The Commonwealth Pledge unambiguously indicates the Commonwealth’s intent to be bound with the Holders and supports the conclusion that, for purposes of the Contract Clause of the Virginia Constitution, the Commonwealth Pledge constitutes a binding contractual relationship between the Commonwealth of Virginia and the Holders.
3. A Virginia state court would conclude that the Commonwealth Pledge (i) creates a binding contractual obligation of the Commonwealth for purposes of the Contract Clause of the Virginia Constitution and (ii) provides a basis upon which the Holders could challenge successfully under the Contract Clause of the Virginia Constitution any action by the General Assembly or any action by the Commission of a legislative character, including the rescission or amendment of the Financing Order, that violates the Commonwealth Pledge in a manner that substantially impairs or would substantially impair the value of the Securitized Asset Property, or substantially reduces, alters or impairs the value of the Securitized Asset Cost Charges, prior to the time that the Securitized Asset Cost Bonds are paid and performed in full, unless the action is a proper exercise of the Commonwealth’s police power and the adjustment of the rights and responsibilities are based upon reasonable conditions and of a character appropriate to the public purpose justifying the action.

4. Although there is an absence of judicial precedent directly on point, and assuming applicable Virginia courts would apply a Takings Clause analysis under the Takings Clause of the Virginia Constitution, such courts of competent jurisdiction would hold that the Commonwealth would be required to pay just compensation to Holders if the General Assembly or the Commonwealth repealed or amended the Securitization Law or took any other action contravening the Commonwealth Pledge and doing so constituted a permanent appropriation of a substantial property interest of the Holders in the Securitized Asset Cost Property and deprived the Holders of their reasonable expectations arising from their investments in the SAC Bonds. There is no assurance, however, that any such award of compensation would be sufficient to pay the full amount of principal and interest on the Bonds.

Matters of Reliance

The opinions expressed herein are rendered as of the date hereof. This opinion letter is furnished only to the addressees listed on Schedule A hereto and is solely for your exclusive use in connection with the Opinion Documents, and may not be relied upon by any other individual, entity or firm, including any governmental agency (each, a "Person"). Without our prior written consent, the opinions expressed herein may not be published, quoted or referenced to, or filed with, any Person in connection with any matter or in any manner whatsoever.

This Opinion may not be quoted, published, communicated or otherwise made available in whole or in part to any Person (including, without limitation, any Person who acquires a Bond or any interest therein from an Underwriter) other than the addressees listed on Schedule A hereto without our specific prior written consent, except that: (x) each of the Underwriters may furnish copies of this Opinion (i) to any of its accountants or attorneys, (ii) in order to comply with any subpoena, order, regulation, ruling or request of any judicial, administrative, governmental, supervisory or legislative body or committee or any self-regulatory body, (iii) to any other person for the purpose of substantiating an Underwriter's due diligence defense and (iv) as otherwise required by law; provided, that none of the foregoing Persons is entitled to rely hereon unless an addressee hereof, (y) a copy of this Opinion may be posted by or at the direction of APCo or the Issuer to an internet website required under Rule 17g-5 promulgated under the Securities Exchange Act of 1934, as amended, and maintained in connection with the ratings on the Bonds solely for the purpose of compliance with such rule or undertakings pursuant thereto made by APCo or the Issuer. Such permission to post a copy of this letter to such website shall not be construed to entitle any Person, including any credit rating agency, who is not an addressee hereof to rely on this Opinion.

Notwithstanding the foregoing, at your request, we hereby consent to reliance hereon by any future permitted assignee of the addressees, on the condition and understanding that: (i) we have no responsibility or obligation to consider the applicability of this opinion letter to any Person other than the addressees listed on Schedule A hereto; (ii) in no event shall any future assignee have any greater rights with respect hereto than the original addressee of this opinion letter on the date hereof or its assignor; (iii) in furtherance and not in limitation of the foregoing, our consent to such reliance shall in no event constitute a reissuance of the opinions expressed herein or otherwise extend any statute of limitations period applicable hereto on the date hereof; and (iv) any such reliance also must be actual and reasonable under the circumstances existing at the time of the related assignment, including any circumstances relating to changes in law, facts or any other developments known to or reasonably knowable by such future assignee at such time. We expressly disclaim any obligation to advise you of any changes in law, rules or regulations; any judicial or regulatory interpretation thereof; or any facts that may hereafter occur or be brought to our attention that would alter the opinions expressed herein.

Very truly yours,

/S/ TROUTMAN PEPPER LOCKE LLP

Schedule A

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