

Principles and Procedures for  
Finalizing the Transferred Asset Schedule

A. Procedures

1. Each of Company and Authority will promptly designate the representatives to form a task force (the "Task Force") to review and finalize the descriptions of Transferred Assets in order to provide for legal descriptions of such Assets. The parties agree to use, and to instruct their representatives to use, their best efforts to provide full legal descriptions (as hereinafter defined) of the Transferred Assets for inclusion as an appendix to this Agreement by December 31, 1997.
2. If the Task Force is unable at any time to agree upon the full legal description or the best feasible legal description (as hereinafter defined) of any Transferred Asset, certain executives of Company and Authority designated from time to time by the parties (the "Executives") shall meet to discuss and resolve any disagreements.
3. If the Executives are unable to agree within 14 days of the referral to them of any such dispute (or such other period of time as the parties may agree), and the parties are unable to agree upon an appropriate mediation procedure with respect to such dispute, any such disagreement shall be finally settled by arbitration. The arbitration shall be conducted in accordance with the American Arbitration Association's commercial arbitration rules in effect at the time of arbitration, except as modified herein or by mutual agreement of the parties. The seat of the arbitration shall be Mineola or Hauppauge, New York, provided that the arbitrators may hold hearings in such other locations as the arbitrators determine to be most convenient and efficient for all the parties under the circumstances. Notwithstanding anything to the contrary in Section 11.6, the arbitration shall be governed by the Federal Arbitration Act. The arbitration shall be conducted by an arbitration panel consisting of three independent individuals with relevant professional experience in commercial or real estate law or engineering and shall be designated by the parties by September 30, 1997 or, if no such designation shall be made, by the American Arbitration Association. Any award rendered by the arbitrators shall be in writing and shall be final and binding upon the parties, and may include an award of costs, including reasonable attorneys' fees and disbursements. Judgment upon the award rendered may be entered in any court having jurisdiction thereof or having jurisdiction over the parties or their assets. The parties shall mutually instruct the arbitrators to limit the time and scope of discovery to the greatest extent practicable and request the arbitrators to provide a decision as rapidly as practicable, in each case consistent with the interests of justice, it being the intention of the parties that any arbitration under this Section 3 be commenced, conducted and completed, and a decision rendered, as rapidly as practicable.
4. Each determination made by the Task Force, the Executives or the arbitrators shall be documented as an appendix to this Agreement and may take the form of an amendment and restatement of the applicable Schedule or any Annex thereto.
5. Each of Company and Authority may at any time upon 10 days' prior written notice to the other designate one or more persons to act as representatives on the Task Force as additions to or replacements of any person previously designated by such party. Each such party may also by similar notice designate a replacement Executive for such party.

B. Principles

1. For purposes of this Schedule B, "full legal description" means, with respect to any Transferred Asset, a description and customary related conveyancing documentation of the kind ordinarily used to describe property of the same type and to document its transfer. The parties acknowledge and agree that it may not be possible to provide full legal descriptions of all Transferred Assets due to factors not within the control of any party and that for any such Transferred Asset the Task Force is directed to produce the best feasible legal description consistent with the requirements of the parties' respective operations after the Closing and applying prudent business judgment (the "best feasible legal description").
2. In evaluating the requirements of the parties, the Task Force shall be duly mindful of any requirements imposed on Authority by reason of the tax-exempt financing required in order to fund the Cash Purchase Price. With respect to Parent, the parties acknowledge and agree that Parent shall bear the risk of any deficiency in the legal description of a Transferred Asset attributable to the state of Company's records and recordkeeping practices prior to Closing.
3. For each parcel of real property owned in fee by Company ("parcel") at which only the gas or generating business of Company is currently conducted and each Common parcel, the form and content of the legal descriptions thereof and conveyancing documentation with respect thereto shall be determined by the Company representatives on the Task Force, subject to the second sentence of Section 2, consistent with the documentation by which title was acquired and local custom with respect to documenting transfers of property, and to the consent of the Authority representatives on the Task Force (which consent will not be unreasonably withheld). As used herein, with respect to real property and fixtures on such real property only "Common" shall mean any parcel at which the gas and generating business of Company are currently conducted in common and any other parcel (including, without limitation, any vacant or future use property (except future use property held primarily for the T&D System) and property leased by Company to or from any third party) other than any parcel at which the transmission and distribution ("T&D") business of Company is currently conducted.
4. For each parcel at which (a) the gas, generating or Common business of Company and (b) the T&D business of Company is currently conducted, the identification of Transferred Assets shall be made in accordance with the following principles:
  - a. Fixtures and Structures. The parties will refer to an electrical one-line diagram which represents the typical interconnection between (i) the T&D system (the "T&D System") constituting a portion of the Retained Assets and (ii) the gas, generating or Common facilities constituting a portion of the Transferred Assets. The division between (x) the T&D System and (y) the gas, generating or Common assets will be determined by applying to each parcel the principles reflected on such diagram.
  - b. Parcels. The legal description of the Transferred Assets in certain parcels will be determined by reference to the applicable plot plans and parcel maps for such parcels and the division between the T&D System and the gas, generating or Common assets set forth on such plot plans. If as of the Closing Date and as set forth in the applicable parcel maps any parcel has been improved with any Retained Asset fixtures that occupy less than 50% of such parcel, then such parcel will be presumed to be a Transferred Asset and Authority will receive a perpetual easement

to use such parcel for its operations. If as of the Closing Date and as set forth in the applicable parcel maps any parcel has been improved with any Retained Asset fixtures that occupy 50% or more of such parcel, then such parcel will be presumed to be a Retained Asset and Company will receive a perpetual easement to use such parcel for its operations. Notwithstanding the preceding two sentences, a parcel that would, pursuant to such sentences, be (i) classified as a Transferred Asset shall nonetheless be classified as a Retained Asset if an independent professional engineer would reasonably conclude that the parcel, taken as a whole, is significantly more in the nature functionally of a T&D asset than a gas, generating or common asset or (ii) classified as a Retained Asset shall nonetheless be classified as a Transferred Asset if such engineer would reasonably conclude that such parcel, taken as a whole, is not significantly more in the nature functionally of a T&D asset than a gas, generating or common asset. At Authority's or Company's request, the parties will evaluate in good faith the practicability of subdividing a parcel subject to this Section B.4 and, if the parties conclude that subdivision is practicable, will negotiate in good faith the terms and conditions of any such subdivision.

- c. The parties will negotiate in good faith to provide a reasonable reallocation of amounts reflected in the Pro Forma Balance Sheet to reflect any variance between the results obtained by the application of this Schedule B and the corresponding amounts reflected in the Pro Forma Balance Sheet.
  - d. Each fixture functionally related to the gas, generating or Common business of Company shall be a Transferred Asset. Each fixture functionally related to the T&D business of Company shall be a Retained Asset.
  - e. Company shall have the right to attach equipment, including telecommunications equipment, to the T&D System at applicable or negotiated rates on a non-discriminatory basis and obtain all necessary access or leasehold rights related thereto on a non-discriminatory basis.
  - f. All legal and technical documentation primarily associated with a Transferred Asset (such as purchase orders, title documentation, manufacturers' and distributors' warranties, governmental registrations, insurance policies, maintenance records, etc.) shall be Transferred Assets.
5. Any easement that is primarily for the installation and maintenance of the T&D System will be a Retained Asset, and Authority will provide Company with access rights for the installation and maintenance of any Transferred Asset situated on such easement. Any easement that is not primarily for the installation and maintenance of the T&D system will be a Transferred Asset, and Company will provide Authority with access rights for the installation and maintenance of any Retained Asset situated on such easement. The parties will negotiate in good faith adjustments to the principles set forth in this Section B.5 to the extent necessary or advisable to reduce costs and enhance operational efficiency.
  6. For each parcel referred to in Section 4 for which no plot plan has been provided, the parties will negotiate in good faith to provide reasonable rights of access from public roads, services and facilities to the separated facilities of Company or Parent, as the case may be, at no additional cost.
  7. Company shall establish such recordkeeping practices as shall be

necessary to properly designate each asset it purchases or otherwise acquires after the date hereof as a Transferred Asset or a Retained Asset in accordance with applicable Task Force, Executive and arbitration decisions made in accordance herewith.

8. All motor vehicles owned or purchased by Company and all interest of Company in any leased motor vehicles, including "bucket trucks", used primarily in the T&D business shall be Retained Assets.
9. Applicable FERC accounting principles will be considered in evaluating the proper classification of any asset.