

## PARENT DISCLOSURE SCHEDULE

This is the Parent Disclosure Schedule referred to in Section 7.4(a) of the Agreement and Plan of Exchange and Merger, dated as of June 26, 1997, by and among BL Holding Corp., a New York corporation ("Parent"), Long Island Lighting Company, a New York corporation (the "Company" or "LILCO"), Long Island Power Authority, a corporate municipal instrumentality and political subdivision of the State of New York (the "Authority"), and LIPA Acquisition Corp., a New York corporation, (the "Agreement"). Section references given below are to the corresponding sections of the Agreement, to which reference is hereby made for the definitions of all capitalized terms not otherwise defined herein. Any matter disclosed pursuant to any section referred to below shall be deemed disclosed pursuant to all other applicable sections and Disclosure Schedules that are made a part of the Basic Agreement.

This Disclosure Schedule hereby incorporates by reference all of the Parent SEC Reports filed with the SEC through the date of the Agreement the latest of which is the Company's transition report on Form 10Q for the quarter ending March 31, 1997. This Disclosure Schedule also incorporates by reference the LILCO Tax Matters Disclosure Schedule attached to Schedule D of this Agreement and the Employment Matters Disclosure Schedule attached as Annex A to Schedule E of this Agreement.

### Section 4.1 Organization and Qualification.

No exception.

### Section 4.2 Subsidiaries.

| <u>Name of Company</u>               | <u>Description of Business</u>   | <u>Percent of Stock Ownership</u> |
|--------------------------------------|--|-----------------------------------|
| Honeoye Storage Corporation          | Storage of natural or manufactured gas and in connection therewith it engages, to some extent, in transportation and operates various storage and transmission facilities.   | 23.3                              |
| Marquez Development Corporation      | Owner of mining properties in New Mexico following a foreclosure sale of Nov. 4, 1991. On September 19, 1991, a US Bankruptcy Court filed a final judgment, decree of foreclosure and order of sale, authorizing LILCO to complete the proceedings to foreclose on the Bokum Resources Corporation properties. This judgment was assigned to Marquez by LILCO prior to the foreclosure sale.                 | 75                                |
| Boundary Gas, Inc.                   | Purchases and receives natural gas from Trans-Canada Pipelines Limited at the Canadian-US border near Niagara Falls, Ontario and immediately resells and delivers the same natural gas to its fourteen stockholders at the border. Commencement of deliveries is subject to Regulatory Approval. Boundary Gas owns no real property, will not be an operating utility and will not construct any facilities. | 2.70                              |
| LILCO Energy Systems, Inc.           | Authorized to participate as General Partner in Iroquois Gas Transmission System, LILCO Energy Systems, Inc. has a 1% equity interest in the Iroquois Gas Transmission System.   | 70                                |
| Island Energy Services Company, Inc. | Island Energy Services Company, Inc. is currently inactive.  | 70                                |

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### Section 4.3 Capitalization.

1. Series I Preferred Stock-convertible to Common Stock.
2. Employee Stock Purchase Plan.
3. Investor Common Stock Plan, effective May 5, 1997, (replaced Automatic Dividend Reinvestment Plan).
4. Annual Stock Incentive Compensation Plan.
5. Long-Term Stock Incentive Plan.
6. Directors' Stock Unit Retainer Plan.
7. Option granted to Brooklyn Union in connection with the Binding Share Exchange.
8. The Company may, from time to time, acquire shares of its common stock to be held as treasury shares or to satisfy its obligations under the above-referenced stock plans.
9. The Company may, from time to time, purchase, redeem, exchange or otherwise acquire shares of its preferred stock in order to satisfy its obligation respecting such shares as contemplated herein.

### Section 4.4 Authority; Non-Contravention; Statutory Approvals; Compliance.

#### b) Non-contravention.

1. Consents from the lending institutions participating in LILCO's Revolving Credit Agreement and the letters of credit agreements supporting LILCO's tax exempt debt.
2. Consents from the holder of the 8.20% and 7.30% Debentures as necessary to effect the transfer of these securities to the Parent as contemplated herein.
3. Consents from the holders of Series AA Preferred Stock and the Non-redeemable Preferred Stock as necessary to effect the transactions respecting such securities contemplated herein.

#### c) Statutory Approvals.

Approvals will be required by regulatory agencies including the FERC, the NRC and the SEC.

#### d) Compliance.

No exception.

### Section 4.5 Reports and Financial Statements.

No exception, except for certain waived audit adjustments of Ernst & Young relating principally to: (i) the deferral of call premiums associated with preferred stock refinanced by LILCO; (ii) the under accrual of gas supply expense; (iii) customer account receivable reserve; and (iv) the write off of LIPA/NYPA proposal costs.

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### Section 4.6 Absence of Certain Changes or Events.

No exception.

### Section 4.7 Litigation.

Attached hereto as Attachment 1 is a list of non-claims pending lawsuits against the Company for which the Company may potentially be exposed to liability of \$1 million or more. Additionally, there are 22 out of 710 pending claims lawsuits against the Company alleging personal injury or property damages for which reserves of \$100,000 or more have been established.

Matters pending before the PSC, FERC or involving EPA, DEC or DEP are either identified in the Company's SEC filings or do not meet the criteria for civil litigation described above.

### Section 4.8 Registration Statement and Proxy Statement.

No exception.

### Section 4.9 Environmental Protection.

(a) **Compliance.**  
No exception.

(b) **Environmental Permits.**  
No exception.

(c) **Environmental Claims.**

The Company is working cooperatively with the N.Y. State Department of Environmental Conservation, Suffolk County Health Department and Novartis (the manufacturer of the herbicide Simazine) to investigate Simazine levels in the water supply.

(d) **Releases.**  
No exception.

(e) **Predecessors.**  
Five (5) additional MPG sites on Long Island not currently owned by LILCO, at least two (2) of which were owned by LILCO predecessors in interest. Information contained in Atlantic Environmental Consulting Report.

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- (f) **Disclosure.**  
No exception.

### Section 4.10 Regulation as a Utility.

No exception.

### Section 4.11 Vote Required.

No exception.

### Section 4.12 Insurance.

1. Possible future policy cancellation with respect to insurance claim on NUSCO cable.
2. In 1995, LILCO obtained for the first time Employee Liability Insurance.
3. In 1993, LILCO reduced its workers compensation insurance coverage from 1<sup>st</sup> dollar insured to coverage on events over \$250,000.
4. Possible future acquisition of Professional Liability Insurance.

### Section 6.1 Covenants of Parent and Company.

- (a) **Ordinary Course of Business.**  
Although entered into in the ordinary course of business, Company has disclosed that it has entered and may, subject to the Agreement, enter into agreements that provide for the attachment of telecommunication equipment to Retained Assets.
- (b) **Charter Documents.**  
No exception.
- (c) **No Acquisitions.**  
No exception.
- (d) **Capital Expenditures.**  
1997 Capital budget for the Transmission and Distribution portion of the Company's total capital budget as set forth in the LIBRA capital budget report as updated in April 1997 is approximately \$118.7 million.
- (e) **No Dispositions.**
1. Although entered into in the ordinary course of business, Company has disclosed that it has entered and may, subject to the Agreement, enter into agreements that provide for the attachment of telecommunication equipment to Retained Assets.
  2. Sale of investment in Marquez Development Corporation.

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- (f) Indebtedness.**

  1. Possible use of Revolving Line of Credit (\$250 million line of credit).
  2. Advances to subsidiaries.
  3. Debt issued in connection with the call, tender or other acquisition of outstanding debt securities or Preferred Stock when economic conditions permit.
  
- (g) Transmission, Generation.**

No exception.
  
- (h) Accounting.**

No exception.
  
- (i) Affiliate Transactions.**

No exception.
  
- (p) Contracts.**

No exception.

**LONG ISLAND LIGHTING COMPANY**

**Chief Financial Officer's Certificate**

The undersigned, the Chief Financial Officer of Long Island Lighting Company, a New York corporation, pursuant to Section 7.4(a) of the Agreement and Plan of Exchange and Merger, dated as of June 26, 1997, by and among BL Holding Corp., a New York corporation ("Parent"), Long Island Lighting Company, a New York corporation, Long Island Power Authority, a corporate municipal instrumentality and political subdivision of the State of New York ("Authority"), and LIPA Acquisition Corp., a New York corporation, (the "Agreement"), does hereby certify that the Parent Disclosure Schedule (as defined in the Agreement) attached hereto has been delivered to the Authority.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the \_\_\_\_ day of June, 1997.

\_\_\_\_\_  
Anthony Nozzolillo  
Chief Financial Officer

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**Referred to in Section 7.4(a) of the  
Agreement and Plan of Exchange and Merger, dated as of June 26, 1997  
by and among  
BL Holding Corp., a New York corporation,  
Long Island Lighting Company, a New York corporation,  
Long Island Power Authority, a corporate municipal instrumentality  
and political subdivision of the State of New York,  
and LIPA Acquisition Corp., a New York corporation.**

## Section 4.7 - Litigation

### ATTACHMENT 1

*Advanced Conservation Systems, Inc. v. LILCO*  
(Sup. Ct. Nassau Co. and E.D.N.Y.)

*Asbestos cases claiming damages resulting  
from Asbestos exposure at LILCO  
generating facilities* (Sup. Ct. N.Y. Co.)

*Becher, et al. v. LILCO et al.* (E.D.N.Y.)

*Incorporated Village of Asharoken, et al. v. LILCO* (Sup. Ct. Suffolk Co.)

*Spectrum v. LILCO* (Sup. Ct. Nassau Co.)

*Town of Oyster Bay v. Occidental et al.* (94-CV-0694 - E.D.N.Y.)

*Town of Riverhead, Mary K. Gardner as President  
of the Wading River Beach and Conservation  
Association v. LILCO* (Sup. Ct. Suffolk Co.)