

LILCO TAX MATTERS DISCLOSURE SCHEDULE

Tax Matters Disclosure Schedule

- a) **Filing of Timely Tax Returns**
No exceptions
- b) **Payment of Taxes**
No exceptions
- c) **Tax Reserves**
No exceptions
- d) **Tax Liens**
No exceptions
- e) **Withholding Taxes**
No exceptions
- f) **Extensions of Time for Filing Tax Returns**
1996 Federal Income tax return
1996 New York State Gross Earnings and Gross Income Tax Returns
- g) **Waivers of Statute of Limitations**
Waivers exist for federal income tax audit for 1981-1989 and the matters referred to in paragraph (i).
- h) **Expiration of Statute of Limitations**
Except as disclosed in Annual report on Form 10-K, no expiration of statute of limitations. No years that are otherwise open for audit have been audited or deficiencies proposed except for the matters referred to in paragraph (i).
- i) **Audit, Administrative and Court Proceedings**
LILCO is seeking refunds on property taxes, garbage taxes and special district taxes.
Federal income tax audit 1981-1989
New York State and Use Tax audit for 9/1/90 through 2/28/93
New York State Gross Earnings Tax and Gross Income Tax audit for 1991-1993
New York City Utility Excise Tax audit for 6/1/92 through 12/31/94
New York State Petroleum Business Tax refund claims for all periods.
- j) **Powers of Attorney**
Powers of Attorney have been granted with respect to certain property tax proceedings and with respect to private letter rulings to be requested as contemplated in this Agreement.
- k) **Tax Rulings**
Private letter rulings from Internal Revenue Service with respect to deductibility of contributions to nuclear decommission trust for 9-Mile Point 2.

Advisory Opinions from New York State regarding gross receipt tax treatment of RICO Settlement and proposed sale/leaseback transaction.

A letter from the New York State Department of Taxation and Finance dated 4/25/1997 regarding the tax treatment of the proposed transactions involving LILCO, Authority and Brooklyn Union.

- l) **Availability of Tax Returns**
No exceptions
- m) **Tax Sharing Agreements**
No exceptions
- n) **Code Section 280G**
Under the terms of the transactions contemplated by this agreement and the Exchange Agreement, every officer of LILCO could receive payments in excess of 280G limitations.
- o) **Liability for Others**
No exceptions
- r) LILCO intends to change its year for federal income tax purposes to the fiscal year ending March 31, beginning with the short year ending March 31, 1997, and, effective on April 1, 1997, deconsolidated for federal income tax purposes.