

**UTILITY DEBT SECURITIZATION AUTHORITY**

**as Bond Issuer**

**AND**

**LONG ISLAND LIGHTING COMPANY**

**as Servicer**

**RESTRUCTURING PROPERTY SERVICING AGREEMENT**

**Dated as of December 18, 2013**

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This RESTRUCTURING PROPERTY SERVICING AGREEMENT, dated as of December 18, 2013, is between Utility Debt Securitization Authority, a New York public authority (the "Bond Issuer"), and the Long Island Lighting Company, a New York corporation doing business under the name of LIPA ("LIPA").

## RECITALS

WHEREAS the Servicer is willing to service the Restructuring Property purchased from the Seller by the Bond Issuer; and

WHEREAS the Bond Issuer, in connection with ownership of Restructuring Property, desires to engage the Servicer to carry out the functions described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

## ARTICLE I.

### DEFINITIONS

Section 1.01. Definitions. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in Appendix A hereto.

Section 1.02. Other Definitional Provisions.

(a) "Agreement" means this Restructuring Property Servicing Agreement, together with all Exhibits, Schedules, Appendices and Annexes hereto, as the same may be amended, supplemented or otherwise modified from time to time.

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

(c) 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.

(d) 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, Appendix and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits, Appendices and Annexes in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement 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.

## ARTICLE II.

### APPOINTMENT AND AUTHORIZATION

Section 2.01. Appointment of Servicer; Acceptance of Appointment. The Bond Issuer hereby appoints the Servicer, 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 Bond Issuer in accordance with the terms of this Agreement. 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 Restructuring Property, the Servicer is hereby authorized and empowered by the Bond Issuer to

(a) execute and deliver, on behalf of itself and/or the Bond Issuer, as the case may be, any and all instruments, documents or notices, and

(b) on behalf of itself and/or the Bond Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the Authority.

The Bond Issuer shall execute and furnish the Servicer with such documents as have been prepared by the Servicer for execution by the Bond Issuer, and with such other documents as may be in the Bond Issuer's possession, as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Bond 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 Restructuring Property. Notwithstanding any other provision herein, the Bond Issuer shall have dominion and control over the Restructuring Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Bond Issuer with respect to the Restructuring Property and the Restructuring Property Documentation. The Servicer shall not take any action with respect to the Restructuring Property that is not authorized by this Agreement or that shall impair the rights of the Bond Issuer or the Bond Trustee in the Restructuring Property, in each case unless such action is required by applicable law.

### ARTICLE III. BILLING SERVICES

Section 3.01. Duties of Servicer. The Servicer, as agent for the Bond Issuer, shall have the following duties:

(a) Duties of Servicer Generally. The Servicer will manage, service, administer and make collections in respect of the Charge. The Servicer's duties will include:

(i) obtaining meter reads, calculating electricity usage and billing the Charge in accordance with the Financing Order and collecting (from Customers and Third Parties, as applicable) all Charge Collections;

(ii) responding to inquiries by Customers, Third Parties, the Authority, or any federal, local or other State governmental authority with respect to the Charge;

(iii) delivering bills to customers and Third Parties, accounting for Charge Collections, investigating and resolving delinquencies, processing and depositing collections, making periodic remittances and furnishing periodic reports to the Bond Issuer, the Authority, the Bond Trustee and the Rating Agencies;

(iv) selling, as the agent for the Bond Issuer, as its interest may appear, defaulted or written off accounts in accordance with the Servicer's usual and customary practices for accounts of Customers for T&D Rates;

(v) taking action in connection with True-Up Adjustments as is set forth herein.

Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by the Statute, the Financing Order and any Authority Regulations, 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 set forth in Annex 1 which, among other things, relate to data acquisition, usage and bill calculation, billing, customer service functions, collections, payment processing and remittance.

(b) Notification of Laws and Regulations. The Servicer shall promptly notify the Bond Issuer, the Authority, the Bond Trustee and the Rating Agencies in writing of any laws or Authority Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.

(c) Other Information. Upon the reasonable request of the Bond Issuer, the Authority, the Administrator, the Bond Trustee, or any Rating Agency, the Servicer shall provide to the Bond Issuer, the Authority, the Bond Trustee or the Rating Agencies, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Restructuring Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law for the Bond Issuer, the Authority, the Administrator, the Bond Trustee or the Rating Agencies to monitor the Servicer's performance hereunder. In addition, so long as any of the Bonds of any Tranche are outstanding, the Servicer shall provide to the Bond Issuer, the Authority, the Administrator and to the Bond Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the Charge.

### Section 3.02. Collection and Allocation of the Charge.

(a) The Servicer shall use all reasonable efforts, consistent with its customary servicing procedures, to collect all amounts owed in respect of the Charge as and when the same shall become due and shall follow such collection procedures as it follows with respect to collection activities that the Servicer conducts for itself or others. The Servicer shall not change the amount of or reschedule the due date of any scheduled payment of the Charge, except as contemplated in this Agreement or as required by law or court or Authority Regulations; provided, however, that the Servicer may take any of the foregoing actions to the extent that such action would be in accordance with its customary billing and collection practices for T&D Rates. The Servicer shall enforce the obligations of any Third Parties providing billing and collection services with respect to the Charge.

(b) As specified in the Statute and the Financing Order, any amounts received from or on behalf of a Customer that represent a partial payment of unpaid Charges and any other charges payable by the Customer will be allocated pro rata between the Charges and such other charges unless the Customer specifies that a greater proportion of such payment is to be allocated to the Charges, except that such other charges shall be reduced by the amount of any claims by such Customer of setoff, counterclaim, surcharge or defense for purposes of such calculation.

### Section 3.03. Transfer of Charge Collections.

(a) On each Business Day, commencing April 1, 2014, the Servicer shall calculate the total Charge Collections estimated to have been received from or on behalf of Customers on such Business Day in respect of all previously billed Charges which have been deposited in the Allocation Account and that are required to be remitted from the Allocation Account to the Collection Account (the "Daily Remittance"). Each Daily Remittance shall be calculated according to the procedures set forth in Annex 2 and shall be remitted as soon as reasonably practicable but in any event no later than the second Business Day after such payments are estimated to have been received from the Customers. Not later than 9:00 a.m. New York time on each Business Day, the Servicer shall provide written notice to the Allocation Agent and the Bond Trustee of the amount that the Allocation Agent is required to remit to the Collection Account on such date (i.e., the Daily Remittance). The Servicer shall also, promptly upon receipt, remit to the Collection Account any other proceeds of the Collateral which it may have received from time to time.

(b) The Servicer agrees and acknowledges that it holds all Charge Collections collected by it and any other proceeds of the Collateral received by it for the benefit of the Bond Trustee and the Holders and that all such amounts will be remitted to the Collection Account or the Allocation Account in accordance with this Section 3.03 and Section 5.11 without any surcharge, fee, offset, charge or other deduction except as set forth in clause (c) below. Except as set forth in clause (c) below, the Servicer further agrees not to make any claim to reduce its obligation to remit or cause to be remitted all Charge Collections collected by it or deposited in the Allocation Account.

(c) Within fifteen days prior to the date any Adjustment Notice is filed with the Authority, the Servicer shall calculate the amount of any Remittance Shortfall or Excess Remittance for the Reconciliation Period, as provided in Section 6(d) of Annex 2. If a Remittance Shortfall exists, the Servicer shall cause the Allocation

Agent to make a supplemental remittance from the Allocation Account to the Collection Account within two (2) Business Days after such calculation. If an Excess Remittance exists, the Servicer shall cause such Excess Remittance to be corrected as soon as practicable by (i) reducing the amount of each Daily Remittance from the Allocation Account until the balance of such Excess Remittance has been reduced to zero or (ii) causing payment of the amount of such Excess Remittance to the Servicer (for remittance to the LIPA Bond Trustee) from the General Subaccount or the Excess Funds Subaccount, if necessary. The results of any such reconciliation shall be reported in the next issued Monthly Servicer's Certificate.

(d) Unless otherwise directed to do so by the Bond Issuer, the Servicer shall be responsible for selecting Eligible Investments in which the funds in the Collection Account shall be invested pursuant to Section 8.03 of the Indenture.

Section 3.04. Servicing and Maintenance Standards. The Servicer shall, on behalf of the Bond Issuer:

(a) manage, service, administer and make collections in respect of the Restructuring Property with reasonable care and in material compliance with applicable law, including all applicable Authority Regulations, using the same degree of care and diligence that the Servicer exercises with respect to billing and collection activities that the Servicer conducts for itself and others;

(b) follow customary standards, policies and procedures in performing its duties as Servicer that are customary in the electric distribution industry;

(c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce and maintain the Bond Issuer's and the Bond Trustee's rights in respect of the Restructuring Property;

(d) calculate Charges in compliance with the Statute and the Financing Order;

(e) invoice Customers in accordance with the procedures set forth in Annex 2.

except where the failure to comply with any of the foregoing would not materially and adversely affect the Bond Issuer's or the Bond Trustee's interest in the Restructuring Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of the Restructuring Property, which, in the Servicer's judgment, may include the taking of legal action pursuant to Section 3.10 or otherwise. Notwithstanding the foregoing, the Servicer shall not change its customary and usual practices and procedures in any manner that would materially and adversely affect the Bond Issuer's or the Bond Trustee's interest in the Restructuring Property unless it shall have provided the Rating Agencies with prior written notice.

Section 3.05. Servicer's Certificates. The Servicer will provide to the Bond Issuer, the Authority and to the Bond Trustee the statements and certificates specified in Annex 1.

Section 3.06. Annual Statement as to Compliance. The Servicer shall deliver to the Bond Issuer, the Authority, the Bond Trustee and each Rating Agency, on or before March 31 of each year beginning March 31, 2015 to and including March 31 succeeding the retiring of the Bonds, an Officer's Certificate, stating that:

(a) a review of the activities of the Servicer (including any party to which the Servicer has subcontracted services under this Agreement) during the preceding calendar year (or relevant portion thereof in the case of the first such Officer's Certificate) and of its performance under this Agreement has been made under such officer's supervision, and

(b) to the best of such officers' knowledge, based on such review, the Servicer has fulfilled all its obligations under this Agreement throughout such period or, if there has been a default in the fulfillment of any such obligation, describing each such default and its status.

Section 3.07. Annual Independent Registered Public Accountants' Report.

(a) The Servicer shall cause a firm of Independent registered public accountants (which may provide other services to the Servicer or its affiliates) to prepare annually, and the Servicer shall deliver annually to the Bond Issuer, the Bond Trustee, the Rating Agencies, and the Authority, on or before March 31 of each year, commencing with 2015 to and including the March 31st succeeding the Final Maturity Date of the Bonds, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, to the effect that such firm has performed certain procedures, agreed between the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under this Agreement during the preceding twelve months ended December 31 (or, in the case of the first Annual Accountant's Report to be delivered on or before March 31, 2015, the period of time from the date of this Agreement until December 31, 2014), identifying the results of such procedures and including any exceptions noted. In the event such accounting firm requires the Bond Trustee or the Bond Issuer to agree or consent to the procedures performed by such firm, the Bond Issuer shall direct the Bond Trustee in writing to so agree; it being understood and agreed that the Bond Trustee will deliver such letter of agreement or consent in conclusive reliance upon the direction of the Bond Issuer, and the Bond Trustee will not make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer in accordance with the New York Public Authorities Law or the Code of Professional Ethics of the American Institute of Certified Public Accountants, as then in effect.

Section 3.08. Restructuring Property Documentation. To assure uniform quality in servicing the Restructuring Property and to reduce administrative costs, the Servicer shall keep on file, in accordance with its customary procedures, all Restructuring Property Documentation, it being understood that the Servicer is acting solely as the servicing agent and custodian for the Bond Issuer with respect to the Restructuring Property Documentation.

Section 3.09. Computer Records; Audits of Documentation.

(a) Safekeeping. The Servicer shall maintain accurate and complete accounts, records and computer systems pertaining to the Restructuring Property and the Restructuring Property Documentation in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries on (or with respect to) the Charge and the Charge Collections from time to time remitted to the Bond Trustee pursuant to Section 3.03 and to enable the Bond Issuer to comply with this Agreement and the Bond Indenture. The Servicer shall conduct, or cause to be conducted, periodic audits of the Restructuring Property Documentation held by it under this Agreement and of the related accounts, records and computer systems, in such a manner as shall enable the Bond Issuer and the Bond Trustee, as pledgee of the Bond Issuer, to verify the accuracy of the Servicer's record keeping. The Servicer shall promptly report to the Bond Issuer, the Authority, the Administrator, and the Bond Trustee any failure on the Servicer's part to hold the Restructuring Property Documentation 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 Bond Issuer or the Bond Trustee of the Restructuring Property Documentation. The Servicer's duties to hold the Restructuring Property Documentation on behalf of the Bond Issuer set forth in this Section 3.09, to the extent such Restructuring Property Documentation has not been previously transferred to a successor Servicer, shall terminate three years after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer pursuant to the provisions of this Agreement or (ii) no Bonds of any Tranche are outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Restructuring Property Documentation at 333 Earle Ovington Blvd. Ste. 403, Uniondale, New York or at such other office as shall be specified to the Bond Issuer, the Authority and to the Bond Trustee by written notice not later than 30 days prior to any change in location. The Servicer shall permit the Bond Issuer, the Authority, the Administrator and the Bond Trustee or their respective duly authorized representatives, attorneys, agents or auditors at any time during normal business hours to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Restructuring Property, the Charge and the Restructuring Property Documentation. The failure of the Servicer to provide access to such information as a result of an obligation or applicable law (including Authority Regulations) prohibiting disclosure of information regarding customers shall not constitute a breach of this Section 3.09(b).



Section 3.10. Defending Restructuring Property Against Claims. The Servicer shall institute and maintain any action or proceeding necessary to compel performance by the Authority or the State of New York of any of their obligations or duties under the Statute or the Financing Order with respect to the Restructuring Property, and the Servicer 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, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to the Statute or the Financing Order, as the case may be, or the rights of holders of Restructuring Property that would be adverse to Bondholders. The costs of any such action reasonably allocated by the Servicer to the Restructuring Property shall be payable from Charge Collections as an Ongoing Financing Cost in accordance with the Bond Indenture. The Servicer's obligations pursuant to this Section 3.10 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Bond Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 3.10).

#### ARTICLE IV.

#### SERVICES RELATED TO TRUE-UP ADJUSTMENTS

Section 4.01. True-Up Adjustments. The Servicer shall perform the calculations and take the actions relating to adjusting the Charge, as set forth in Annex 1.

#### ARTICLE V.

#### THE SERVICER

Section 5.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, on which the Bond Issuer has and will rely in entering into this Agreement relating to the servicing of the Restructuring Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of the Restructuring Property to the Bond Issuer and the pledge thereof to the Bond Trustee pursuant to the Bond Indenture.

(a) Organization and Good Standing. The Servicer is a corporation duly organized and in good standing under the laws of the State of New York, with the requisite corporate power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by it, and has the requisite corporate power and authority to service the Restructuring Property and to hold the Restructuring Property and Restructuring Property Documentation as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business, 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 Restructuring Property as required by this Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or adversely affect the servicing of the Restructuring Property).

(c) Power and Authority. The Servicer has the requisite corporate 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 corporate action on the part of the Servicer.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against it in accordance with its terms, subject to applicable bankruptcy, receivership, 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 fulfillment 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 articles of incorporation or by-laws of the Servicer, or any material indenture, agreement or other instrument to which the Servicer is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such indenture, agreement or other instrument; or (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any federal or state court or regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties.

(f) Approvals. No approval, authorization, consent, order or other action of, or filing with, any federal or state court, regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article III or IV hereof.

(g) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and no investigations pending or threatened, before any federal or state court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties involving or relating to the Servicer, the Authority or the Bond Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement; or (iii) seeking any determination or ruling that might materially adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement.

(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 Authority by the Servicer with respect to the Charges or True-Up Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; but 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 5.02. Indemnities of Servicer.

(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 Bond Issuer and the Bond Trustee (for itself and on behalf of the Bondholders) and each of their respective trustees, members, managers, officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of:

(i) the Servicer's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement or the Servicer's reckless disregard of its obligations and duties under this Agreement;

(ii) the Servicer's breach of any of its representations or warranties in this Agreement; and

(iii) litigation and related expenses relating to its status and obligations as Servicer,

provided, however, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of any Person indemnified pursuant to this Section 5.02 (each, an "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 Servicer's breach.

Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 5.02, notify the Servicer in writing of such involvement. 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 5.02 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 5.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel. The Indemnified Person shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Servicer agrees in writing to such settlement, compromise or consent and such settlement, compromise or consent includes an unconditional release of the Servicer from all liability arising out of such claim, action, suit or proceeding.

(c) The Servicer shall indemnify the Bond Trustee and its respective officers, directors and agents for, and defend and hold harmless each such Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of the acceptance or performance of the trusts and duties contained herein and in the Bond Indenture, except to the extent that any such Loss is due to the willful misconduct, bad faith or gross negligence of the Bond Trustee; provided, however, that the foregoing indemnity is extended to the Bond Trustee solely in its individual capacity and not for the benefit of the Bondholders or any other Person. Such amounts with respect to the Bond Trustee shall be deposited and distributed in accordance with the Bond Indenture.

(d) The Servicer's indemnification obligations under Section 5.02(b) and (c) for events occurring prior to the removal or resignation of the Bond Trustee or the termination of this Agreement shall survive the resignation or removal of the Bond Trustee or the termination of this Agreement and shall include reasonable costs, fees and expenses of investigation and litigation (including the Bond Issuer's and the Bond Trustee's reasonable attorneys' fees and expenses).

(e) Except to the extent expressly provided for in the Basic Documents (including the Servicer's claims with respect to the Servicing Fees), the Servicer hereby releases and discharges the Bond Issuer (including its trustees, officers, employees and agents, if any), and the Bond Trustee (including its respective officers, directors and agents) (collectively, the "Released Parties") from any and all actions, claims and demands whatsoever, which the Servicer shall or may have against any such Person relating to the Restructuring 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) The Servicer will not indemnify any person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Bonds or for any consequential damages, including any loss of market value of the Bonds, resulting from any default or any downgrade of the ratings on the Bonds.

Section 5.03. Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person (a) into which the Servicer may be merged or consolidated, (b) which may result from any merger or consolidation to which the Servicer shall be a party or (c) which may succeed to the properties and assets of the Servicer substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer under this Agreement, shall be the successor to the Servicer under this Agreement without the execution or filing of any document or any further act by 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 5.01 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 Bond Issuer and the Bond Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all

conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Bond Issuer and the Bond Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all statutory filings to be made by the Servicer, including filings with the Authority pursuant to the Statute and filings under the applicable UCC, that are necessary fully to preserve and protect the interests of the Bond Issuer and the Bond Trustee in the Restructuring Property have been executed and filed and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests, (iv) the Rating Agencies shall have received prior written notice of such transaction and (v) the Servicer shall have delivered to the Bond Issuer, the Authority and the Bond Trustee an opinion of independent tax counsel (as selected by, and in form and substance reasonably satisfactory to, the Servicer, and which may be based on a ruling from the Internal Revenue Service) to the effect that, for federal income tax purposes, such consolidation or merger will not result in a material adverse federal income tax consequence to the Bond Issuer, the Bond Trustee or the then existing Bondholders. The Servicer shall not consummate any transaction referred to in subclauses (a), (b) or (c) above except upon execution of the above described agreement of assumption and compliance with subclauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the properties and assets of the Servicer substantially as a whole and becomes the successor to the Servicer in accordance with the terms of this Section 5.03, then upon satisfaction of all of the other conditions of this Section 5.03, the Servicer shall automatically and without further notice be released from all its obligations hereunder.

Section 5.04. Assignment. The Servicer may assign any or all of its obligations hereunder to any successor if either (i) the Rating Agency Condition and any other condition specified in the Financing Order have been satisfied, or (ii) the Servicer is replaced by a successor pursuant to Section 5.03 hereof.

Section 5.05. Limitation on Liability of Servicer and Others. The Servicer shall not be liable to the Bond Issuer or the Bond Trustee, except as provided under this Agreement, for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of its duties or by reason of reckless disregard of obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Bond Trustee or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action incidental to its duties to service the Restructuring Property in accordance with 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.

Section 5.06. LIPA Not to Resign as Servicer. Subject to the provisions of Sections 5.03 and 5.04, LIPA shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon a determination that LIPA's performance of its duties under this Agreement shall no longer be permissible under applicable law. Notice of any such determination permitting the resignation of LIPA shall be communicated to the Bond Issuer, the Authority, the Allocation Agent, the Bond Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Bond Issuer, the Authority, the Allocation Agent and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 6.04.

Section 5.07. Servicing Fee. The Bond Issuer agrees to pay the Servicer an annual servicing fee (the "Servicing Fee") for all obligations to be performed by the Servicer under this Agreement. For so long as LIPA is the Servicer, the Servicing Fee shall be 0.05% of the aggregate initial principal amount of the Bonds. The foregoing fee constitutes a fair and reasonable price for the obligations to be performed by the Servicer and approximates the estimated incremental cost of performing the services required by this Agreement exclusive of the expenses payable under Section 5.08. If the Servicer is not affiliated with the owner of the T&D System Assets or not performing similar services with respect to the base rates of the owner of the T&D System Assets, the Servicing Fee shall be an amount agreed upon by the Bond Issuer and the successor Servicer, provided that any Servicing Fee in excess of 0.60% of the aggregate initial principal amount of the Bonds shall be approved by the Authority and the Indenture

Trustee, with notice provided to each of the Rating Agencies, and provided, further, that if the Authority fails to approve or disapprove any such Servicing Fee within 30 days following its receipt of a written request to approve the same, the Authority shall be deemed to have approved such Servicing Fee.

Section 5.08. Servicer Expenses. Except as otherwise expressly provided herein, the Bond Issuer shall pay all 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 or payments in lieu of taxes imposed on the Servicer (other than taxes based on the Servicer's net income) and any expenses incurred in connection with reports to Bondholders, subject to the priorities set forth in Section 8.02(e) of the Bond Indenture).

Section 5.09. Subservicing. The Servicer may at any time contract with a subservicer to perform all or any portion of its obligations as Servicer hereunder; provided, however, the Rating Agency Condition shall have been satisfied in connection therewith; and provided further that the Servicer shall remain obligated and be liable to the Bond Issuer, the Bond Trustee and the Bondholders for the servicing and administering of the Restructuring Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such subservicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Restructuring Property. The fees and expenses of the subservicer shall be as agreed between the Servicer and its subservicer from time to time, and none of the Bond Issuer, the Bond Trustee or the Bondholders shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 5.06. For purposes of this Section 5.09, the Operation Services Agreement shall be deemed to satisfy the Rating Agency Condition.

Section 5.10. No Servicer Advances. The Servicer shall not make any advances of interest on or principal of the Bonds.

Section 5.11. Remittances. No later than the second Business Day following receipt, the Servicer shall cause all payments by or on behalf of Customers, including all Charge Collections (from whatever source), to be deposited into the Allocation Account. As provided in Section 3.03(a), the Servicer shall cause the Allocation Agent to remit the Daily Remittances due on such date to the Bond Trustee for deposit into the Collection Account. The Servicer shall transfer (i) any Indemnity Amounts and (ii) any other proceeds of other Collateral paid to or received by Servicer to the Bond Trustee for deposit in the Collection Account not later than the second Business Day following such receipt.

Section 5.12. Protection of Title. The Servicer shall execute and file such filings and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the interests of the Bond Trustee in the Restructuring Property, including all filings required under the UCC or the Statute relating to the transfer of ownership of or a security interest in the Restructuring Property by the Seller to the Bond Issuer or the security interest granted by the Bond Issuer to the Bond Trustee in the Restructuring Property. The Servicer shall deliver (or cause to be delivered) to the Bond Issuer, the Authority and the Bond Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The costs of any such action reasonably allocated by the Servicer to the Restructuring Property shall be payable from Charge Collections as an Ongoing Financing Cost in accordance with the Bond Indenture. The Servicer's obligations pursuant to this Section 5.12 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Bond Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 5.12).

Section 5.13. Tax Exempt Bonds. The Servicer covenants that with respect to Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes (hereinafter "Tax Exempt Bonds") it shall comply with the tax certificates to be executed and delivered by it in connection with the issuance of the Tax Exempt Bonds and with letters of instruction, if any, delivered by bond counsel in connection with the issuance of the Tax Exempt Bonds, as such tax certificates and letters may be amended from time to time. Notwithstanding anything else in this Agreement to the contrary, the covenants of this Section 5.13 shall survive the payment, redemption or defeasance of the Tax Exempt Bonds and the termination of this Agreement.

Section 5.14. Compliance with Bond Issuer's Bylaws. The Servicer agrees to comply with the provisions of Article XI of the Bond Issuer's by-laws, including any amendments thereof made with the consent of the Servicer, which consent shall not be unreasonably withheld, to the extent that such provisions are applicable to its duties as agent for the Bond Issuer hereunder and, to the extent that the Servicer employs others to perform such duties in accordance with this Agreement, the Servicer will require that such others comply with such applicable provisions.

## ARTICLE VI.

### DEFAULT

Section 6.01. Servicer Default. If any one of the following events (each a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to cause all payments by or on behalf of Customers, including all Charge Collections (from whatever source), received by the Servicer to be deposited into the Allocation Account as provided in Section 5.11 or any failure to cause the Allocation Agent to transfer to the Bond Trustee any required Daily Remittance and cause other amounts received from Collateral to be deposited to the Collections Account pursuant to Section 3.03 hereof that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Bond Issuer or the Bond Trustee; or

(b) any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement of the Servicer set forth in this Agreement, which failure:

(i) materially and adversely affects the Restructuring Property or the rights of the Bondholders, and

(ii) continues unremedied for a period of 60 days after written notice of such failure has been given to the Servicer by the Bond Issuer, the Authority, the Allocation Agent, the Administrator or the Bond Trustee or after discovery of such failure by an officer of the Servicer; or

(c) any representation or warranty made by the Servicer in this Agreement proves to have been incorrect when made, which has a material adverse effect on the Bond Issuer or the Bondholders and which material adverse effect continues unremedied for a period of 60 days after the date on which written notice thereof has been given to the Servicer by the Bond Issuer, the Authority or the Bond Trustee or after discovery of such failure by an officer of the Servicer, as the case may be; or

(d) 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, either the Bond Trustee may, or shall upon the written instruction of the Authority (acting on behalf of Customers) or the Holders of a majority of the outstanding principal amount of the Bonds, by notice then given in writing to the Servicer (and to the Bond Trustee if given by the Bondholders) (a "Termination Notice") may terminate all the rights and obligations (other than the indemnification obligations set forth in Section 5.02 hereof and the obligation under Section 6.04 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default, any interested person shall be entitled to apply to any court in New York for sequestration and payment of revenues arising with respect to the Restructuring 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 Restructuring Property, the Charge or otherwise, shall, upon appointment of a successor Servicer pursuant to Section 6.04, without further action, pass to and be vested in such successor Servicer and, without limitation, the Bond 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 Restructuring Property Documentation and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Bond Trustee, the Bond Issuer and the Allocation Agent 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 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 Restructuring Property or the Charge. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Restructuring Property Documentation to the successor Servicer. All reasonable costs and expenses (including attorneys fees and expenses) incurred in connection with transferring the Restructuring Property Documentation to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 6.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses.

Section 6.02. Notice of Servicer Default. The Servicer shall deliver to the Bond Issuer, the Authority, the Bond Trustee, the Administrator, the Allocation Agent and each Rating Agency, promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice in an Officer's Certificate of any event or circumstance which with the giving of notice or passage of time, or both, would become a Servicer Default under Section 6.01.

Section 6.03. Waiver of Past Defaults. The Bond Trustee, with the consent of the Authority and Holders of the majority of the outstanding principal amount of the Bonds, on behalf of all Bondholders, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default under Section 6.01(a). The Servicer shall provide notice of any such waivers to each Rating Agency, promptly after its receipt thereof from the Bond Trustee. 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.

Section 6.04. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 6.01 or the Servicer's resignation 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 reimbursement of expenses as provided herein, until a successor Servicer has assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder and upon application of the Bond Trustee, the Authority will designate a successor Servicer. Any appointment of a successor Servicer requires the consent of the Holders of a majority of the outstanding principal amount of the Bonds, and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Bond Issuer and the Bond Trustee. If within 30 days after the delivery of the Termination Notice, a new Servicer has not been appointed and accepted such appointment, the Bond Trustee may petition the Authority or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted to perform the duties of the Servicer pursuant to the Statute, the Authority Regulations, the Financing Order and this Agreement, (ii) the Rating Agency Condition has been satisfied and (iii) such Person enters into a servicing agreement with the Bond Issuer having substantially the same provisions as this Agreement.

(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 relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

(c) The successor Servicer may resign only if it is prohibited from serving as such by applicable law.

Section 6.05. Cooperation with Successor. The Servicer covenants and agrees with the Bond Issuer that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the successor Servicer in performing its obligations hereunder.

## ARTICLE VII.

### MISCELLANEOUS PROVISIONS

Section 7.01. Amendment.

(a) This Agreement may be amended by the Servicer and the Bond Issuer, with the consent of the Bond Trustee and the satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment or consent, the Bond Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies.

Prior to the execution of any amendment to this Agreement, the Bond Issuer and the Bond Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement and the Opinion of Counsel referred to in Section 3.11. The Bond Issuer and the Bond Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) Notwithstanding anything to the contrary in this paragraph, no amendment or modification of this Agreement shall be effective except upon satisfaction of the conditions precedent in this paragraph (b).

(i) At least fifteen days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in paragraph (a) above (except that the consent of the Bond Trustee may be subject to the consent of Holders if such consent is required or sought by the Bond Trustee in connection with such amendment or modification), the Servicer shall have delivered to the Authority's chief executive officer and general counsel written notification of any proposed amendment, which notification shall contain:

- (A) a reference to the Financing Order;
- (B) an officer's certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement; and
- (C) a statement identifying the person to whom the Authority or its staff is to address any response to the proposed amendment or to request additional time.

(ii) If the Authority or its staff, within fifteen days (subject to extension as provided in clause (iii) below) of receiving a notification complying with paragraph (a) above, shall have delivered to the office of the person specified in paragraph (i)(C) above a written statement that the Authority might object to the proposed amendment or modification, then such proposed amendment or modification shall not be effective unless and until the Authority subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iii) If the Authority or its staff, within fifteen days of receiving a notification complying with paragraph (a) above, shall have delivered to the office of the person specified in paragraph (i)(C) above a written statement requesting an additional amount of time not to exceed thirty days in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Authority shall have delivered to the office of the person specified in paragraph (i)(C) above a written statement as described in clause (ii) above, unless and until the Authority subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If the Authority or its staff shall not have delivered written notice that the Authority might object to such proposed amendment or modification within the time periods described in clause (ii) or clause (iii) above, whichever is applicable, then the Authority shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in paragraph (a) above.

(v) Following the delivery of a notice to the Authority by the Servicer under clause (ii) above, the Servicer and the Bond Issuer shall have the right at any time to withdraw from the Authority further consideration of any proposed amendment.



(c) Notwithstanding Sections 7.01(a) and 7.01(b) or anything to the contrary in this Agreement, the Servicer may, with the prior written consent of the Authority, amend Annex 2 to this Agreement in writing with prior written notice given to the Bond Trustee, the Bond Issuer and the Rating Agencies, but without the consent of the Bond Trustee, the Bond Issuer, any Rating Agency or any Holder, solely to address changes to the Servicer's method of calculating Charge Payments as a result of changes to the Servicer's (or its subservicer's) computerized customer information system, including changes which would replace the remittances contemplated by the estimation procedures set forth in Annex 2 with remittances of Charge Collections determined to have been actually received; provided that any such amendment shall not have a material adverse effect on the Holders of the Bonds.

(d) The Servicer shall promptly provide each of the Rating Agencies and the Authority with a copy of any amendment to this Agreement.

Section 7.02. Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States mail with proper postage for ordinary mail prepaid:

(a) if to the Servicer, to:

LIPA  
333 Earle Ovington Blvd. Ste. 403  
Uniondale, NY 11782  
Attention: Lynda Nicolino, General Counsel  
Facsimile: (516) 222-9137  
Telephone: (516) 222-7700

(b) if to the Bond Issuer, to:

Utility Debt Securitization Authority  
c/o LIPA as Administrator  
333 Earle Ovington Blvd. Ste. 403  
Uniondale, NY 11782  
Attention: Lynda Nicolino, Secretary  
Facsimile: (516) 222-9137  
Telephone: (516) 222-7700

(c) if to the Bond Trustee, to:

The Bank of New York Mellon  
101 Barclay Street, Floor 7- West  
New York, NY 10286  
Attention: Frederic Belen  
Facsimile: (732) 667-9205  
Telephone: (212) 815-2588  
E Mail: Frederic.belen@bnymellon.com

(d) if to the Authority, to:

Long Island Power Authority  
333 Earle Ovington Blvd. Ste. 403  
Uniondale, NY 11782  
Attention: Lynda Nicolino, General Counsel  
Facsimile: (516) 222-9137  
Telephone: (516) 222-7700

(e) if to Moody's, to:

Moody's Investors Service, Inc.  
25th Floor, 7 World Trade Center, 250 Greenwich Street  
New York, New York 10007  
Attention: ABS/RMBS Monitoring Department  
E-mail: [ServicerReports@moodys.com](mailto:ServicerReports@moodys.com)

(f) if to Standard & Poor's, to:

Standard & Poor's Ratings Services  
55 Water Street  
New York, New York 10041  
Attention: Structured Credit Surveillance  
E-mail: [servicer-report@standardandpoors.com](mailto:servicer-report@standardandpoors.com)  
Telephone: (212) 438-8991

(g) if to Fitch, to:

Fitch Ratings  
One State Street Plaza  
New York, New York 10004  
Attention: ABS Surveillance  
Telephone: (212) 908-0500  
Facsimile: (212) 908-0355

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

Section 7.03. Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer, the Bond Issuer, the Authority, the Allocation Agent, the Bondholders, the Bond Trustee and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the Bond Trustee. 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 Restructuring Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 7.04. 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 remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.05. 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 7.06. 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 7.07. Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of New York, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 7.08. Collateral Assignment to Bond Trustee. The Servicer hereby acknowledges and consents to the grant of a security interest and collateral assignment by the Bond Issuer pursuant to the Bond Indenture of all of the Bond Issuer's rights hereunder to the Bond Trustee for the benefit of the holders of the Bonds and the Bond Trustee in and to this Agreement.

Section 7.09. Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Bond Indenture, but subject to the right of a court of competent jurisdiction to order the sequestration and payment of revenues arising with respect to the Restructuring Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to any person or entity pursuant to Section 7.1(d) of the Statute, the Servicer solely in its capacity as creditor of the Bond Issuer, shall not, prior to the date which is one year and one day after the termination of the Bond Indenture with respect to the Bond Issuer, petition or otherwise invoke or cause the Bond Issuer to invoke the process of any court or governmental authority for the purpose of commencing or sustaining an involuntary case against the Bond Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Bond Issuer or any substantial part of the property of the Bond Issuer, or, to the fullest extent permitted by law, ordering the winding up or liquidation of the affairs of the Bond Issuer.

Section 7.10. Termination. This Agreement shall terminate when all Bonds have been retired, redeemed or defeased in full.

Section 7.11. 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 purposes of determining the initial credit rating of the Bonds or undertaking credit rating surveillance of the Bonds with any Rating Agency, shall be, substantially concurrently, posted by the Servicer on the 17g-5 Website.

Section 7.12. Continuing Disclosure Under Rule 15c2-12. The Servicer shall prepare and provide to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access system ("EMMA"), in the format prescribed by the Municipal Securities Rulemaking Board, the reports, certificates and notices required under the Continuing Disclosure Agreement.

Section 7.13. Third Party Billers

(a) If at any time in the future the State of New York takes any action to amend the Statute, or the Authority takes any action to adopt, supplement or amend Authority Regulations, in either case, to permit the billing and/or collecting of Charges by Third Parties, the Servicer, on behalf of the Bondholders, shall take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to (A) if the Servicer reasonably believes that such action could result in a downgrade of the Bonds or is otherwise contrary to the Statute or the Financing Order, block or overturn such action of the State or the Authority, as the case may be, including by asserting that such action violates the State Pledge; and (B) if such challenge or opposition fails, compel performance by the Authority or the State of New York, as the case may be, of their obligations and duties under the Statute and the Financing Order, as applicable, with respect to Third Parties, including but not limited to ensuring

that the implementation of any such amendment, supplement, rule or regulation does not result in a downgrade in the credit ratings assigned to the Bonds and otherwise conforms with the matters referenced in Annex 1 hereto;

(i) the Servicer, on behalf of the Bondholders, will take reasonable steps to monitor on an ongoing basis proceedings in the legislature of the State of New York and at the Authority for proposed legislation, rules, regulations or other initiatives that could reasonably result in the taking by the State of New York or the Authority of any action referenced in (ii) above; and

(ii) the costs of any action taken by, and the obligations of, the Servicer under this Section shall be treated in the same manner as expenses under Section 5.08.

(b) Should the laws of the State of New York be changed to permit the billing and/or collecting of Charges by Third Parties, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as would be necessary to properly enforce the obligations of each Third Party to remit Charges, in accordance with the terms and provisions of the Financing Order.

IN WITNESS WHEREOF, the parties hereto have caused this Restructuring Property Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

UTILITY DEBT SECURITIZATION AUTHORITY, as Bond Issuer

By: Michael J. Taunton  
Name: Michael J. Taunton  
Title: Chief Financial Officer

LONG ISLAND LIGHTING COMPANY, as Servicer

By: Michael J. Taunton  
Name: Michael J. Taunton  
Title: Chief Financial Officer

ANNEX 1  
CERTIFICATES AND ADJUSTMENTS

The Servicer agrees to comply with the following with respect to the Bond Issuer:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Appendix A to the Restructuring Property Servicing Agreement dated as of December 18, 2013, between the Bond Issuer and LIPA, as Servicer (the "Servicing Agreement").

SECTION 2. Monthly Servicer Certificates. On or before the 13th Business Day of each calendar month commencing with April 2014, the Servicer will deliver to the Allocation Agent, the Bond Issuer, the Authority, the Bond Trustee and each Rating Agency a monthly certificate in substantially the form of Exhibit A hereto (the "Monthly Servicer Certificate") stating the amount of the total charges received from Customers deposited into the Allocation Account during the preceding calendar month, the estimated amount of Charge Collections transferred to the Collection Account during the preceding calendar month, the amount of any transfers or reductions in respect of Excess Remittances or the Remittance Shortfalls occurring during the preceding calendar month, and the amount of any transfers or reductions in respect of Excess Remittances or Remittance Shortfalls required to occur on any Remittance Date during the current month pursuant to Section 3.03(b) of the Servicing Agreement.

SECTION 3. Semiannual Servicer Certificates. At least one Business Day before each Payment Date, the Servicer shall provide to the Bond Issuer, the Bond Trustee, each Rating Agency and the Authority, a certificate in substantially the form of Exhibit B hereto (the "Semiannual Servicer Certificate") indicating:

1. the amount to be paid to the Bondholders of each Tranche in respect of principal on such Payment Date in accordance with Section 8.02(e) of the Bond Indenture;
2. the amount to be paid to the Bondholders of each Tranche in respect of interest on such Payment Date in accordance with Section 8.02(e) of the Bond Indenture;
3. the Projected Bond Balance and the Bond Balance for each Tranche as of that Payment Date (after giving effect to the payments on such Payment Date);
4. the amount on deposit in the Reserve Subaccount as of that Payment Date (after giving effect to the transfers to be made from or into the Reserve Subaccount on such Payment Date);
5. the amount, if any, on deposit in the Excess Funds Subaccount as of that Payment Date (after giving effect to the transfers to be made from or into the Excess Funds Subaccount on such Payment Date);
6. the amounts paid to the Bond Trustee since the preceding Payment Date pursuant to Section 8.02(e) of the Bond Indenture;
7. the amounts paid to the Servicer since the preceding Payment Date pursuant to Section 8.02(e) of the Bond Indenture; and
8. the amount of any other transfers and payments to be made on such Payment Date pursuant to Sections 8.02(e) of the Bond Indenture.

SECTION 4. Annual Certificates. The Servicer shall provide the Certificate of Compliance required by Section 3.06 of the Servicing Agreement in substantially the form of Exhibit C hereto.

SECTION 5. True-Up Adjustments.

(a) The Servicer will make adjustments to the Charge at least annually, beginning no more than 12 months from issuance of the Bonds and continuing until the last Scheduled Maturity Date of the Bonds (or any series of Bonds). The Annual True-up (defined below) will be performed on a mandatory basis; the Mid-year Review (defined below) will also be performed on a mandatory basis and the Mid-year True-up (defined below) will only be performed if the Servicer projects under collections to be experienced up to the date of the next annual adjustment. For each True-Up Adjustment, the Servicer will file with the Authority a notice of adjustment to the Charge approximately 30 days prior to the effective date of such adjustment.

(b) Annually, the Servicer will file a notice of adjustment (i) to correct for any over-collections or under-collections to date and anticipated to be experienced up to the date of the next annual adjustment and (ii) to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and to make timely payment on all other Ongoing Financing Costs (the "Annual True-up"). The initial Annual True-up will take effect on January 1, 2015. Before the June 1 following each Annual True-up, the Servicer will perform a review to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and to make timely payment on all other Ongoing Financing Costs (the "Mid-year Review"). If, following the Mid-year Review, the Servicer projects that the Charge Collections will be insufficient to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and to make timely payment on all other Ongoing Financing Costs, the Servicer will file a notice of adjustment (the "Mid-year True-up") no later than June 1 of such year, such adjustment to become effective on July 1 of such year. Additionally, the Servicer may file at any time an additional optional notice of adjustment to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and to make timely payment on all other Ongoing Financing Costs (the "Optional True-up"). If the Bonds are issued before January 1, 2014, the Servicer shall perform an Optional True-up to be effective on March 1, 2014.

(c) Following the last Scheduled Maturity Date of the Bonds (or any series of Bonds), if any such Bonds remain outstanding after such Scheduled Maturity Date, the Servicer will file quarterly notices of adjustments to the Charge to ensure that the Charge Collections will be sufficient to pay timely interest and principal in full on the Bonds (or any series of Bonds) that remain outstanding after such Scheduled Maturity Date and to make timely payment on all other Ongoing Financing Costs on the next payment date.

(d) All adjustments will be designed to cause (i) the outstanding principal balance of the Bonds (or any series of Bonds) to be equal to the scheduled balance (based on the Expected Amortization Schedule) with respect to such Bonds (or any series of Bonds); (ii) the amount in the Reserve Subaccount to be equal to the Required Reserve Level; and (iii) with respect to the Annual True-up only, any amount in the Excess Funds Subaccount to be targeted to be zero by the Payment Date immediately preceding the effective date of the next Annual True-up or by the Final Maturity Date on the Bonds, if the next Payment Date is the Final Maturity Date of all of the Bonds (or any series of Bonds).

(e) For the period prior to the last Scheduled Maturity Date of the Bonds (or any series of Bonds), the Servicer will calculate the adjustments for the Annual True-up in the following manner:

- (1) Calculate under-collections or over-collections of Charge Collections from all prior Collection Periods on a cumulative basis by subtracting (a) the sum of (i) principal and interest paid and scheduled to be paid on the Bonds through the effective date of the next Annual True-up and (ii) all Ongoing Financing Costs paid and expected to be payable through the effective date of the next Annual True-up from (b)

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Certificates and Adjustments

the Charge Collections to date as well as all Charge Collections projected to be received prior to the effective date of the next Annual True-up.

- (2) Calculate the amount of Charges that must be billed through December 31 of the applicable calendar year such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charges through December 31 of such calendar year.
- (3) Sum amounts in steps (1) and (2) above.
- (4) Divide the resulting amount in step (3) above by the forecasted energy billing units to determine the Charge to be in effect until the effective date of the next True-up Adjustment.

(f) For the period prior to the last Scheduled Maturity Date of the Bonds (or any series of Bonds), the Servicer will perform the Mid-year Review before June 1 following the effective date of each Annual True-up, calculated in the following manner:

- (1) Determine the Charge Collections from the applicable calendar year, taking into account actual collections and collections projected to be received prior to the effective date of the next Annual True-up.
- (2) Calculate the amount of Charges that must be billed prior to the effective date of the next Annual True-up such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charges through December 31 of such calendar year.
- (3) If the amount resulting from the calculation in step (2) is greater than step (1), the Servicer will institute a Mid-year True-up in the manner described below.

(g) For the period prior to the last Scheduled Maturity Date of the Bonds (or any series of Bonds), the Servicer will calculate the adjustments for the Mid-year True-up in the following manner:

- (1) Calculate the amount of Charges that must be billed prior to the effective date of the next Annual True-up such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the Expected Amortization Schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charges through December 31 of such calendar year.
- (2) Divide the amount in step (1) above by the forecasted energy billing units to determine the Charge to be in effect until the effective date of the next True-up Adjustment.

(h) Each Adjustment Notice shall include a description of the adjustment calculation, the mathematical formulas used for such calculations and the amounts of each variable used in such formulas.

(i) If necessary to provide for timely payment of scheduled principal of and interest on the Bonds and the payment and recovery of other Ongoing Financing Costs, the Servicer shall prepare and file an Adjustment Notice with the Authority for each Optional True-up. Such filings shall be made at least 30 days prior to the proposed effective date of the proposed adjustments.

(j) Notices.

- (1) Notices to the Bond Issuer, Bond Trustee and Rating Agencies. Whenever the Servicer files an Adjustment Notice with the Authority, the Servicer shall send a copy of such filing to the Bond Issuer,

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the Bond Trustee, the Administrator, the Allocation Agent and the Rating Agencies concurrently therewith, and within thirty (30) days of such filing, to the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board. If any True-Up Adjustment described in any such Adjustment Notice filing does not become effective on the applicable date for any reason, the Servicer shall notify the Bond Issuer, the Allocation Agent, the Bond Trustee and the Rating Agencies by the end of the second Business Day after such applicable date.

(2) Notices to Customers.

- (A) After each revised Charge has gone into effect pursuant to a True-Up Adjustment, the Servicer shall, to the extent and in the manner and time frame required by applicable Authority Regulations, if any, cause to be prepared and delivered to customers any required notices announcing such revised Charges.
- (B) The Servicer shall comply with the requirements of the LIPA Reform Act and the Financing Order with respect to the identification of the Charges on Bills. In addition, at least once each year, the Servicer shall (to the extent that it does not separately identify the Charges as being owned by the Bond Issuer in the Bills regularly sent to Customers) cause to be prepared and delivered to such Customers a notice stating, in effect, that the Restructuring Property and the Charges are owned solely by the Bond Issuer and not the Servicer. Such notice shall be included either as an insert to or in the text of the Bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as the Servicer may from time to time use to communicate with its own Customers.

## ANNEX 2 PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

### SECTION I. Definitions.

(a) Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Restructuring Property Servicing Agreement dated as of December 18, 2013, between the Bond Issuer and LIPA, as Servicer (the "Servicing Agreement").

(b) Whenever used in this Annex 2, the following words and phrases shall have the following meanings:

"Applicable MDMA" means, with respect to each Customer, the meter data management agent or other person providing meter reading services for that Customer's account.

"Applicable Third Party" means, with respect to each Customer, the Third Party, if any, providing billing or metering services to that Customer.

"Billed Charges" means the amounts billed to Customers pursuant to the Charge, whether billed directly to such Customers by the Servicer or indirectly through a Third Party pursuant to Consolidated Third Party Billing.

"Bills" means each of the regular monthly bills, the summary bills, the initial bills and the Closing Bills issued to Customers or Third Parties by LIPA.

"Budget Payment Plan" means a levelized payment plan offered by LIPA, which, if elected by a Customer, provides for level monthly Bill charges to such Customer. For residential Customers, this charge is calculated by calculating actual electricity charges for the previous year and dividing this amount by twelve. The number which results from this calculation is charged to the residential Customer each month. In the twelfth month, LIPA bills the residential Customer for actual use in that month, adjusted for any excess or deficit the Customer has paid LIPA over the prior eleven months. If the Customer owes LIPA \$4 or more over the normal budget amount, that Customer has the option repaying the full amount in the twelfth month, or spreading the amount of this deficit in equal installments over the first four months of the Customer's next budget year. The procedure is similar for small industrial and commercial Customers.

"Charge Effective Date" means the date on which the initial Charge goes into effect pursuant to the Financing Order.

"Closing Bill" means the final bill issued to a Customer at the time service is terminated.

"Consolidated Third Party Billing" means the billing option available to Customers served by a Third Party pursuant to which such Third Party will be responsible for billing and collecting all charges to Customers electing such billing option, including the Charge, and will become obligated to the Servicer for the Billed Charges, all in accordance with applicable Authority Regulations and the Financing Order.

"Days Sales Outstanding" means the average number of days that monthly bills to Customers for electric transmission and distribution services in the Service Area (or, following the authorization of Third Parties to bill and collect Customers for electric transmission and distribution services in the Service Area, monthly bills to Third Parties) remain outstanding during the calendar year immediately preceding the calculation of projected lags in collection of billed Charges pursuant to Annex 2 of the Servicing Agreement. The initial Days Sales Outstanding shall be 37 days until updated pursuant to Annex 2 of the Servicing Agreement.

“Servicer Policies and Practices” means, with respect to the Servicer's duties under this Annex 2, the policies and practices applicable to such duties that the Servicer (or its sub-servicer) follows with respect to the T&D Rates.

## SECTION 2. Data Acquisition.

(a) **Installation and Maintenance of Meters.** Except to the extent that a Third Party is responsible for such services, the Servicer shall use commercially reasonable efforts to 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 approximately every 30 days or as provided in the applicable tariff.

(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 determine any Customer's usage on the basis of estimates in accordance with applicable Authority Regulations.

(c) **Cost of Metering.** The Bond Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including, but not limited to, the costs of installing, replacing and maintaining meters, nor shall the Bond Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any Third Party as a result of new metering and/or billing technologies.

## SECTION 3. Usage and Bill Calculation.

The Servicer shall obtain a calculation of each Customer's usage (which may be based on data obtained from such Customer's meter read or on usage estimates determined in accordance with applicable Authority Regulations) at least once each Billing Period and shall determine therefrom the amount of the Charge to be included on such Customer's Bill pursuant to the Financing Order and Authority Regulations.

## SECTION 4. Billing.

The Servicer shall implement the Charge as of the Charge Effective Date and shall thereafter bill each Customer or the Applicable Third Party for the respective Customer's outstanding current and past due charges relating to the Charge, accruing until all payments of principal and interest on the Bonds and all other Ongoing Financing Costs have been paid in accordance with the Indenture, all in accordance with the following:

(a) **Frequency of Bills; Billing Practices.** In accordance with the Servicer's then-existing Servicer Policies and Practices, 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, in the case of a Customer who has elected Consolidated Third Party Billing, to an Applicable Third Party, for such Customer's respective Charge as a general practice once approximately every 30 days or such other time period as allowed by the Authority, at the same time, with the same frequency and on the same Bill as that containing the Servicer's T&D Rates to such Customer or Third Party, as the case may be. In the event that the Servicer makes any material modification to these practices, it shall notify the Bond Issuer, the Bond Trustee, the Allocation Agent and the Rating Agencies as soon as practicable, and in no event later than 60 Business Days after such modification goes into effect; provided, however, that the Servicer may not make any modification that will materially adversely affect the Bondholders.

(b) **Format.**

(i) Pursuant to the Financing Order, each Bill will identify the Charges included in such Bill by means of a footnote or other description of the amount of the Charge or the Charge per kWh and a statement to the effect that the Charges belong to the Bond Issuer.

(ii) In the case of each Customer that has elected Consolidated Third Party Billing, the Servicer shall deliver to the Applicable Third Party itemized charges for such Customer including the amount of such Customer's Charge and text identifying the Bond Issuer as the owner of such Charge.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to Customers and Third Parties as applicable Authority Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by the Statute, other applicable law or Authority Regulations, the Servicer shall, subject to clauses (i) and (ii) above, determine the format, structure and text of all Bills in accordance with its reasonable business judgment, the Servicer Policies and Practices and prevailing industry standards.

(c) Delivery. The Servicer shall deliver all Bills to Customers

(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 the T&D Rates or

(ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use to bill the T&D Rates to Customers. In the case of Customers that have elected Consolidated Third Party Billing, the Servicer shall deliver all Bills to the applicable Third Parties by such means as are prescribed by applicable Authority Regulations, or if not prescribed by applicable Authority Regulations, by such means as are mutually agreed upon by the Servicer and the applicable Third Party and are consistent with Authority Regulations. The Servicer or a Third Party, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time.

#### SECTION 5. Customer Service Functions.

The Servicer shall handle all Customer inquiries and other Customer service matters according to the same procedures it uses to service Customers with respect to the T&D Rates.

#### SECTION 6. Collections; Payment Processing; Remittances.

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall use reasonable efforts to collect all Billed Charges from Customers and Third Parties as and when the same become due and shall follow such collection procedures as it follows with respect to the T&D Rates, including, as follows:

(A) The Servicer shall prepare and deliver overdue notices to Customers and Third Parties in accordance with applicable Authority Regulations and the Servicer Policies and Practices.

(B) The Servicer shall apply late payment charges to outstanding Customer and Third Party balances in accordance with applicable Authority Regulations. All late payment charges and interest collected shall be payable to and retained by the Servicer as a component of its compensation under the Servicing Agreement, and the Bond Issuer shall not have any right to share in the same.

(C) The Servicer shall deliver verbal and written final call notices in accordance with applicable Authority Regulations and Servicer Policies and Practices.

(D) The Servicer shall adhere and carry out disconnection policies in accordance with the Statute, other applicable law and Authority Regulations and Servicer Policies and Practices.

(E) The Servicer may employ the assistance of collections agents in accordance with applicable Authority Regulations and Servicer Policies and Practices.

#### ANNEX 2 Procedures

(F) The Servicer shall apply Customer and Third Party deposits, Customers' letters of credit and Customer posted surety bonds to the payment of delinquent accounts in accordance with applicable Authority Regulations and Servicer Policies and Practices and according to the priorities set forth in Section 6(b)(ii), (iii) and (iv) of this Annex 2.

(G) The Servicer shall promptly take all necessary action in accordance with applicable Authority Regulations to terminate billing of Charges by Third Parties whose payments are delinquent and to collect the Billed Charges directly from the applicable Customers.

(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 Bondholders; and

(C) would comply with applicable law; provided, however, that notwithstanding anything in the Servicing Agreement or this Annex 2 to the contrary, the Servicer is authorized to write off any Billed Charges in accordance with its Servicer Policies and Practices that remain outstanding for 120-150 days.

(iii) The Servicer shall accept payment from Customers in respect of Billed Charges in such forms, by such methods and at such times and places as it accepts payment of the T&D Rates. The Servicer shall accept payment from Third Parties in respect of Billed Charges in such forms, by such methods and at such times and places as the Servicer and each Third Party shall mutually agree in accordance with applicable Authority Regulations.

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

(i) The Servicer shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Business Days after receipt.

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

(iii) Any amounts collected by the Servicer that represent partial payments of the total Bill to a Customer or Third Party shall be allocated in accordance with the priorities set forth in Section 3.02(b) of the Servicing Agreement.

(iv) The Servicer shall cause all over-payments to be deposited into the Allocation Account and shall allocate such funds in proportion to future Bill charges in accordance with clauses (ii) and (iii) above as such charges become due.

(v) For Customers on a Budget Payment Plan, the Servicer shall treat Charge Collections received from such Customers as if such Customers had been billed for the Charge in the absence of the Budget Payment Plan. Partial payment of a Budget Payment Plan payment shall be allocated according to clause (iii) above, and overpayment of a Budget Payment Plan payment shall be allocated according to clause (iv) above.

(c) Accounts; Records.

(i) The Servicer shall maintain accounts and records as to the Restructuring Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between

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payments or recoveries with respect to the Restructuring Property and the amounts from time to time remitted to the Collection Account in respect of the Restructuring Property.

(ii) The Servicer shall maintain accounts and records as to Third Parties performing Consolidated Third Party Billing for Customers accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries with respect to the Restructuring Property and amounts owed by such Customers in respect of the Charge.

(d) Calculation of Daily Remittances, Excess Remittances and Remittance Shortfalls.

1. For purposes of calculating the Daily Remittance, (i) all Billed Charges shall be estimated to be collected the same number of days after billing as is equal to the Days Sales Outstanding then in effect (or on the next Business Day) and (ii) the Servicer will, on each Business Day, cause the Allocation Agent to remit to the Collection Account an amount equal to the product of the Billed Charges estimated to be collected on such Business Day multiplied by one hundred percent less the percentage of projected uncollectibles used by the Servicer to calculate the most recent adjustment pursuant to Annex 1 of the Servicing Agreement. Such product shall constitute the amount of Estimated Charge Collections for such Business Day.
2. Pursuant to Section 3.03(c) of the Servicing Agreement, within fifteen days prior to the date on which an Adjustment Notice is filed with the Authority, the Servicer shall calculate and report in the next succeeding Monthly Servicer's Certificate the amount of Actual Charge Collections for all completed Collection Periods during the Reconciliation Period as compared to the Estimated Charge Collections remitted to the Collection Account in respect of such Reconciliation Period and any Excess Remittance or Remittance Shortfall. Actual Charge Collections will be calculated using actual data, including actual electricity consumption, actual uncollectibles and actual lags in collection for the Reconciliation Period. If Third Parties are authorized to bill, collect and remit Charges, the Servicer shall be allowed to use the reimbursement of any Excess Remittance to reimburse any Third Parties for the excess of their remittances over actual Charge Payments received by such Third Parties in accordance with the terms of Authority Regulations.
3. On or before the times specified in Annex 1 to the Servicing Agreement, the Servicer shall, in a timely manner so as to perform all required calculations under Annex 1 to the Servicing Agreement for the True-up Adjustments, update the Days Sales Outstanding, the projected lags in collection of billed Charges and the projected uncollectibles in order to be able to calculate the next True-Up Adjustment and to calculate any change in the Daily Remittances for the next Reconciliation Period.
4. All calculations of collections, each update of the Days Sales Outstanding, the projected lags in collection of billed Charges, the projected uncollectibles and any changes in procedures used to calculate the Estimated Charge Payments pursuant to this Section 6(d) of this Annex 2 shall be made in good faith, and in the case of any update pursuant to clause 6(d)(2) above, in a manner reasonably intended to provide estimates and calculations that are at least as accurate as those that were provided on the Closing Date utilizing the initial procedures.

(e) Remittances.

1. The Servicer shall make or cause payments to the Collection Account or the Allocation Account in accordance with Sections 3.03 and 5.11 and this Annex 2 of the Servicing Agreement.
2. In the event of any change of account or change of institution affecting the remittances, the Bond Issuer shall provide written notice thereof to the Servicer by the earlier of:

(A) five Business Days from the effective date of such change, or

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(B) five Business Days prior to the next applicable Remittance Date.

## EXHIBIT A

### FORM OF MONTHLY SERVICER CERTIFICATE

#### Utility Debt Securitization Authority Restructuring Bonds

Servicer: Long Island Lighting Company

Pursuant to the Restructuring Property Servicing Agreement, dated as of December 18, 2013 (the "Servicing Agreement"), between the LONG ISLAND LIGHTING COMPANY, as Servicer, and the UTILITY DEBT SECURITIZATION AUTHORITY, the undersigned does hereby certify as follows:

1. For period beginning \_\_\_\_\_ and ended \_\_\_\_\_ (the "Certificate Period"):

Deposits into Allocation Account	\$ _____
Actual Charge Collections deposited into Allocation Account	\$ _____
Estimated Charge Collections remitted to Collection Account	\$ _____
Remittance Shortfall transfers during period	\$ _____
Excess Remittances deducted during period	\$ _____
Remittance Shortfall instructed to be transferred to the Collection Account	\$ _____
Excess Remittance instructed to be deducted from future Daily Remittances	\$ _____
Excess Remittance to be paid or transferred from the Collection Account or the Excess Funds Subaccount	\$ _____

2. To the best of the undersigned's knowledge, the Servicer has fulfilled all of its obligations in all material respects under Section 3.03(a) of the Servicing Agreement throughout the Certificate Period [, except \_\_\_\_\_].



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

[Name of Entity]

By \_\_\_\_\_

Name:

Title:

## EXHIBIT B

### FORM OF SEMIANNUAL SERVICER CERTIFICATE

#### Utility Debt Securitization Authority Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of December 18, 2013, (the "Servicing Agreement"), between LONG ISLAND LIGHTING COMPANY, as Servicer, and UTILITY DEBT SECURITIZATION AUTHORITY, the undersigned 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 Servicing Agreement, or if not defined in the Servicing Agreement, as set forth in the Bond Indenture. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Bond Indenture, as the context indicates.

Collection Period: [ ] through [ ]

Payment Date: [ ]

Date of Certificate: [ ]

Cut-Off Date (not more than ten days prior to the date hereof): [ ]:

- (a) Available Amounts on Deposit in Collection Account (including Excess Funds Subaccount) as of Cut-Off Date [date not more than ten days prior to date of this certificate]: \$ \_\_\_\_\_
- (b) Actual or Estimated Remittances from the date in (a) above through the Servicer Business Date preceding Current Payment Date: \$ \_\_\_\_\_
- (c) Total Amounts Available to Trustee for Payment of Bonds and Other Ongoing Financing Costs: \$ \_\_\_\_\_

(d) Allocation of Available Amounts as of Current Payment Date allocable to payment of principal and interest on Bonds on Current Payment Date:

Principal

	<u>Aggregate</u>
Series T-1	
Series T-2	
Series T-3	
Series T-4	
Series TE-1	
Series TE-2	
Series TE-3	
Series TE-4	
Series TE-5	
Series TE-6	
Series TE-7	
Series TE-8	
Series TE-9	
Series TE-10	
Series TE-11	
Series TE-12	
Series TE-13	
Series TE-14	
Series TE-15	
Series TE-16	
Series TE-17	
<b>Total:</b>	

Interest

	<u>Aggregate</u>
Series T-1	
Series T-2	
Series T-3	
Series T-4	
Series TE-1	
Series TE-2	
Series TE-3	
Series TE-4	
Series TE-5	
Series TE-6	
Series TE-7	
Series TE-8	
Series TE-9	
Series TE-10	
Series TE-11	
Series TE-12	
Series TE-13	
Series TE-14	
Series TE-15	

Series TE-16  
Series TE-17  
**Total:**

- (e) Outstanding Amount of Bonds prior to, and after giving effect to the payment on the Current Payment Date and the difference, if any, between the Outstanding Amount specified in the Expected Amortization Schedule (after giving effect to payments to be made on such Payment Date set forth above) and the Principal Balance to be Outstanding (following payment on Current Payment Date):

Principal Balance Outstanding (as of the date of this certification):

Series T-1  
Series T-2  
Series T-3  
Series T-4  
Series TE-1  
Series TE-2  
Series TE-3  
Series TE-4  
Series TE-5  
Series TE-6  
Series TE-7  
Series TE-8  
Series TE-9  
Series TE-10  
Series TE-11  
Series TE-12  
Series TE-13  
Series TE-14  
Series TE-15  
Series TE-16  
Series TE-17  
**Total:**

Principal Balance to be Outstanding (following payment on Current Payment Date):

Series T-1  
Series T-2  
Series T-3  
Series T-4  
Series TE-1  
Series TE-2  
Series TE-3  
Series TE-4  
Series TE-5  
Series TE-6  
Series TE-7  
Series TE-8  
Series TE-9  
Series TE-10  
Series TE-11

Series TE-12  
Series TE-13  
Series TE-14  
Series TE-15  
Series TE-16  
Series TE-17  
**Total:**

- (f) Difference between (e) above and Outstanding Amount specified in the Expected Amortization Schedule:

Series T-1  
Series T-2  
Series T-3  
Series T-4  
Series TE-1  
Series TE-2  
Series TE-3  
Series TE-4  
Series TE-5  
Series TE-6  
Series TE-7  
Series TE-8  
Series TE-9  
Series TE-10  
Series TE-11  
Series TE-12  
Series TE-13  
Series TE-14  
Series TE-15  
Series TE-16  
Series TE-17  
**Total:**

- (g) All other transfers to be made on the Current Payment Date, including amounts to be paid to the Bond Trustee and to the Servicer pursuant to Section 8.02(e) of the Bond Indenture:

**Ongoing Financing Costs:**

Bond Trustee Fees and Expenses :  
Servicer Fees and Expenses:  
Administration Fees and Expensees:  
Rating Agency Fees:  
Accounting Fees:

Funding of Reserve Subaccount (to required amount):  
**Total:**

- (h) Estimated amounts on deposit in the Reserve Subaccount and Excess Funds Subaccount after giving effect to the foregoing payments:

Reserve Subaccount

Total:

Excess Funds Subaccount

Total:

In witness hereof, the undersigned has duly executed and delivered this Semiannual Servicer Certificate this \_\_ day of \_\_\_\_, 20\_\_.

[Name of Entity]

By \_\_\_\_\_

Name:

Title:

## EXHIBIT C

### CERTIFICATE OF COMPLIANCE

#### Utility Debt Securitization Authority Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of December 18, 2013, (the "Servicing Agreement"), between LONG ISLAND LIGHTING COMPANY, as Servicer, and UTILITY DEBT SECURITIZATION AUTHORITY, the undersigned does hereby certify, for the \_\_\_\_\_, 20\_\_ Payment Date (the "Current Payment Date"), as follows:

The undersigned hereby certifies that he/she is the duly elected and acting [\_\_\_\_\_] of [\_\_\_\_\_] and further that:

1. A review of the activities of the Servicer and any of its subcontractors 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 3.06 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 \_\_\_\_\_.

Executed as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Name:

Title:

## EXHIBIT D

### ADJUSTMENT NOTICE

Pursuant to the Restructuring Cost Financing Order of the Long Island Power Authority ("Authority") dated October 3, 2013 (the "Financing Order") and the Restructuring Property Servicing Agreement, dated as of December 18, 2013 (the "Servicing Agreement"), between the LONG ISLAND LIGHTING COMPANY, as Servicer, and the UTILITY DEBT SECURITIZATION AUTHORITY, the undersigned does hereby provides notice of an adjustment to the Charge to take effect on the Adjustment Date specified below.

Adjustment Date:

Adjusted Charge:

The adjusted Charge was calculated as follows:

Executed as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By:

\_\_\_\_\_

Name:

Title:



## EXPECTED AMORTIZATION SCHEDULE OUTSTANDING PRINCIPAL BALANCE PER TRANCHE

### Series 2013T Bonds Expected Amortization Schedule

<b>Payment Date<sup>†</sup></b>	<b>Tranche T-1 Balance*</b>	<b>Tranche T-2 Balance*</b>	<b>Tranche T-3 Balance*</b>	<b>Tranche T-4 Balance*</b>
Scheduled Maturity Date	June 15, 2019	June 15, 2020	June 15, 2021	December 15, 2023
Legal Final Maturity Date	June 15, 2021	June 15, 2022	June 15, 2023	December 15, 2025
Initial Principal Balance	\$100,000,000	\$100,000,000	\$100,000,000	\$182,934,000
June 15, 2017	\$6,540,000	\$0	\$0	\$0
December 15, 2017	\$6,608,000	\$0	\$0	\$0
June 15, 2018	\$23,097,000	\$0	\$0	\$0
December 15, 2018	\$23,336,000	\$0	\$0	\$0
June 15, 2019	\$40,419,000	\$24,598,000	\$0	\$0
December 15, 2019	\$0	\$65,744,000	\$0	\$0
June 15, 2020	\$0	\$9,658,000	\$43,163,000	\$0
December 15, 2020	\$0	\$0	\$53,571,000	\$0
June 15, 2021	\$0	\$0	\$3,266,000	\$32,212,000
December 15, 2021	\$0	\$0	\$0	\$36,081,000
June 15, 2022	\$0	\$0	\$0	\$20,811,000
December 15, 2022	\$0	\$0	\$0	\$21,170,000
June 15, 2023	\$0	\$0	\$0	\$36,335,000
December 15, 2023	\$0	\$0	\$0	\$36,325,000

\* Subject to Sinking Fund Payments. See Expected Sinking Fund Schedules below.

<sup>†</sup> If such date is not a Business Day, the next Business Day without additional interest.

### Series 2013TE Bonds Expected Amortization Schedule

<b>Tranche</b>	<b>Initial Principal Amount</b>	<b>Scheduled Maturity Date<sup>†</sup></b>	<b>Final Maturity Date<sup>†</sup></b>
Series TE-1	\$90,000,000	December 15, 2014	December 15, 2016
Series TE-2	\$15,000,000	December 15, 2015	December 15, 2017
Series TE-3	\$30,000,000	June 15, 2016	June 15, 2018
Series TE-4	\$30,000,000	December 15, 2016	December 15, 2018
Series TE-5	\$680,000	December 15, 2023	December 15, 2025
Series TE-6	\$14,595,000	June 15, 2024	June 15, 2026
Series TE-7	\$14,960,000	December 15, 2024	December 15, 2026
Series TE-8*	\$25,130,000	December 15, 2025	December 15, 2027
Series TE-9*	\$77,740,000	December 15, 2026	December 15, 2028
Series TE-10*	\$190,640,000	December 15, 2027	December 15, 2029
Series TE-11*	\$178,425,000	December 15, 2028	December 15, 2030
Series TE-12*	\$186,045,000	December 15, 2029	December 15, 2031
Series TE-13*	\$73,015,000	December 15, 2030	December 15, 2032
Series TE-14*	\$55,130,000	December 15, 2031	December 15, 2033
Series TE-16*	\$45,130,000	December 15, 2032	December 15, 2034
Series TE-16*	\$44,370,000	December 15, 2033	December 15, 2035
Series TE-17*	\$468,530,000	December 15, 2039	December 15, 2041

\* Subject to Sinking Fund Payments. See Expected Sinking Fund Schedules below.

<sup>†</sup> If such date is not a Business Day, the next Business Day without additional interest.

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013T-1</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2017	\$100,000,000	\$6,540,000	\$93,460,000
December 15, 2017	\$93,460,000	\$6,608,000	\$86,852,000
June 15, 2018	\$86,852,000	\$23,097,000	\$63,755,000
December 15, 2018	\$63,755,000	\$23,336,000	\$40,419,000
June 15, 2019	\$40,419,000	\$40,419,000	0

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013T-2</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2019	\$100,000,000	\$24,598,000	\$75,402,000
December 15, 2019	\$75,402,000	\$65,744,000	\$9,658,000
June 15, 2020	\$9,658,000	\$9,658,000	0

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013T-3</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2020	\$100,000,000	\$43,163,000	\$56,837,000
December 15, 2020	\$56,837,000	\$53,571,000	\$3,266,000
June 15, 2021	\$3,266,000	\$3,266,000	\$0

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013T-4</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2021	\$182,934,000	\$32,212,000	\$150,722,000
December 15, 2021	\$150,722,000	\$36,081,000	\$114,641,000
June 15, 2022	\$114,641,000	\$20,811,000	\$93,830,000
December 15, 2022	\$93,830,000	\$21,170,000	\$72,660,000
June 15, 2023	\$72,660,000	\$36,335,000	\$36,325,000
December 15, 2023	\$36,325,000	\$36,325,000	\$0

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-8</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2025	\$25,130,000	\$12,410,000	\$12,720,000
December 15, 2025	\$12,720,000	\$12,720,000	\$0

<b>EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-9</b>			
<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2026	\$77,740,000	\$38,390,000	\$39,350,000
December 15, 2026	\$39,350,000	\$39,350,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-10			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2027	\$190,640,000	\$94,145,000	\$96,495,000
December 15, 2027	\$96,495,000	\$96,495,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-11			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2028	\$178,425,000	\$88,110,000	\$90,315,000
December 15, 2028	\$90,315,000	\$90,315,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-12			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2029	\$186,045,000	\$91,875,000	\$94,170,000
December 15, 2029	\$94,170,000	\$94,170,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-13			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2030	\$73,015,000	\$36,055,000	\$36,960,000
December 15, 2030	\$36,960,000	\$36,960,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-14			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2031	\$55,130,000	\$27,225,000	\$27,905,000
December 15, 2031	\$27,905,000	\$27,905,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-15			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2032	\$45,130,000	\$22,285,000	\$22,845,000
December 15, 2032	\$22,845,000	\$22,845,000	\$0

EXPECTED SINKING FUND SCHEDULE – SERIES 2013TE-16			
Scheduled Sinking Fund Redemption Date	Scheduled Outstanding Amount	Scheduled Sinking Fund Payment	Minimum Remaining Outstanding Amount
June 15, 2033	\$44,370,000	\$21,910,000	\$22,460,000
December 15, 2033	\$22,460,000	\$22,460,000	\$0

**EXPECTED SINKING FUND  
SCHEDULE – SERIES 2013TE-17**

<b>Scheduled Sinking Fund Redemption Date</b>	<b>Scheduled Outstanding Amount</b>	<b>Scheduled Sinking Fund Payment</b>	<b>Minimum Remaining Outstanding Amount</b>
June 15, 2034	\$468,530,000	\$2,700,000	\$465,830,000
December 15, 2034	\$465,830,000	\$2,770,000	\$463,060,000
June 15, 2035	\$463,060,000	\$435,000	\$462,625,000
December 15, 2035	\$462,625,000	\$445,000	\$462,180,000
June 15, 2036	\$462,180,000	\$46,375,000	\$415,805,000
December 15, 2036	\$415,805,000	\$47,535,000	\$368,270,000
June 15, 2037	\$368,270,000	\$50,880,000	\$317,390,000
December 15, 2037	\$317,390,000	\$52,150,000	\$265,240,000
June 15, 2038	\$265,240,000	\$51,195,000	\$214,045,000
December 15, 2038	\$214,045,000	\$52,475,000	\$161,570,000
June 15, 2039	\$161,570,000	\$74,795,000	\$86,775,000
December 15, 2039	\$86,775,000	\$86,775,000	\$0

## APPENDIX A

### DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

“Actual Charge Collections” means the Charge Collections, which are calculated pursuant to Section 3.03(c) of the Servicing Agreement and section 6(d) of Annex 2 thereof to have been collected from Customers and deposited into the Allocation Account during a Reconciliation Period.

“Adjustment Date” means the date specified in an Adjustment Notice on which the adjusted Charge described in such Adjustment Notice shall take effect.

“Adjustment Notice” means any filing made with the Authority by the Servicer on behalf of the Bond Issuer to set or adjust the Charge, including the Issuance Advice Letter.

“Allocation Account” means the deposit accounts or other accounts designated by the Authority from time to time and controlled by the Allocation Agent, into which all payments from or on behalf of Customers are to be deposited and from which transfers of estimated Charge Collections and Remittance Shortfalls are to be made to the Collection Account and transfers of Estimated Other Payments are to be made to appropriate accounts of the Authority. Initially, the Allocation Account shall refer to the clearing account[s] that have been established by the Authority with J.P. Morgan Chase Bank.

“Allocation Agent” means the entity designated by the Authority (which may be the Authority) that agrees to control the Allocation Account in trust for the benefit of the Bond Trustee and the Authority Trustee, to accept all payments from or on behalf of Customers for deposit into the Allocation Account, to notify the Servicer on each Business Day of the amount deposited into the Allocation Account on the preceding Business Day, and, to the extent that funds are available in the Allocation Account, to transfer the estimated Charge Collections and Remittance Shortfalls from the Allocation Account to the Collection Account as instructed by the Servicer or the Bond Trustee in writing and to transfer the Estimated Other Payments as instructed by the Authority or the Authority Trustee. The initial Allocation Agent shall be the Authority.

“Annual Accountant’s Report” has the meaning set forth in Section 3.07 of the Servicing Agreement.

“Annual True-up” has the meaning assigned to that term in Annex 1.

“Authority” means the Long Island Power Authority and any successor thereto.

“Authority Regulations” means all regulations, rules, tariffs and laws applicable to public utilities, owners of the T&D System Assets or Third Parties, as the case may be, and promulgated by, enforced by or otherwise within the jurisdiction of the Authority.

“Authority Trustee” means the trustee under the Authority’s Bond Resolution dated May 13, 1998.

“Basic Documents” means the Bond Indenture, the Sale Agreement, this Agreement, the Administration Agreement, the Continuing Disclosure Agreement and the Bond Purchase Agreement.

“Billing Month” means a calendar month during which the Charge is billed to Customers.

“Billing Period” means the period during which the electric transmission and distribution services reflected on a Customer’s Bill were received by such Customer.

“Bills” means each of the regular monthly bills, summary bills and other bills issued to Customers for T&D Rates by the Servicer or by a Third Party.

## APPENDIX A

### Definitions

“Bond” means any bond or other debt security issued pursuant to the Financing Order and the Bond Indenture.

“Bondholders” has the meaning specified in Section 1.01 of the Bond Indenture.

“Bond Balance” means, as of any date, the aggregate Outstanding Amount of all Bonds on such date.

“Bond Indenture” means the Bond Indenture, dated as of December 18, 2013, between the Bond Issuer and the Bond Trustee, as the same may be amended and supplemented from time to time.

“Bond Issuer” means the Utility Debt Securitization Authority.

“Bond Trustee” has the meaning specified in Section 1.01 of the Bond Indenture.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, are authorized or obligated by law, regulation or executive order to remain closed.

“Certificate of Compliance” means the certificate referred to in Section 3.06 of this Agreement.

“Charge” means the Charge authorized in the Financing Order, as the same may be adjusted from time to time as provided in the Financing Order.

“Charge Collections” means the payments of the Charges by or on behalf of Customers.

“Closing Date” means December 18, 2013.

“Collateral” has the meaning specified in Section 1.01 of the Bond Indenture.

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

“Collection Period” means the period from and including the first day of a calendar month to but excluding the first day of the next calendar month.

“Customers” means consumers as defined in the Statute.

“Daily Remittance Date” means, if the Servicer has not satisfied the conditions of Section 5.11(b) of the Servicing Agreement, each Business Day commencing on the second Business Day following the date on which the Servicer begins remittance procedures under Section 3.03(a)(ii) of the Servicing Agreement.

“EMMA” has the meaning specified in Section 7.12 of the Servicing Agreement.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“Estimated Charge Collections” means the estimated Charge Collections calculated as provided in Annex 2 of the Servicing Agreement.

“Estimated Other Payments” means all payments by or on behalf of Customers other than estimated Charge Collections and any Remittance Shortfalls net of any Excess Remittance.

“Excess Remittance” means the amount, if any, calculated for a particular Reconciliation Period, by which all Estimated Charge Collections remitted to the Collection Account during such Reconciliation Period exceed Actual Charge Collections received by the Servicer during such Reconciliation Period and taking into account any Excess Remittance or Remittance Shortfall previously paid during such Reconciliation Period.

## APPENDIX A

### Definitions

“Excess Funds Subaccount” means any residual or excess funds subaccount of the Collection Account other than the Reserve Subaccount.

“Expected Amortization Schedule” means the Expected Amortization Schedule attached to this Agreement.

“Expected Final Payment Date” means the Payment Date on which all of the Bonds are scheduled to be paid in full.

“Final Maturity Date” means, with respect to any Tranche of Bonds, the date by which all principal and interest on that Tranche is required to be paid, as specified in the Bond Indenture.

“Fitch” means Fitch, Inc. or its successor.

“Financing Order” means the restructuring cost financing order of the Authority adopted on October 3, 2013.

“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.

“Holder” or “Bondholder” means the Person in whose name a Bond is registered on the Bond Register, and to the extent specified by the Bond Indenture, the owners of bearer Bonds.

“Independent” has the meaning specified in Section 1.01 of the Bond Indenture.

“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 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.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Issuance Advice Letter” means the initial Issuance Advice Letter, dated December 12, 2013, filed by the Servicer with the Authority pursuant to the Statute.

“Issuer Annex” means Annex 1 of the Servicing Agreement.

“Lien” has the meaning specified in Section 1.01 of the Bond Indenture.

“LIPA” has the meaning set forth in the preamble to this Agreement.

“Losses” means collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

“Mid-year Review” has the meaning assigned to that term in Annex 1.

“Mid-year True-up” has the meaning assigned to that term in Annex 1.

#### APPENDIX A Definitions

"Monthly Servicer Certificate" has the meaning assigned to that term in Annex 1 to the Servicing Agreement.

"Moody's" means Moody's Investors Service Inc. or its successor.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"Ongoing Financing Costs" has the meaning assigned to that term in the Financing Order.

"Opinion of Counsel" means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

"Optional True-up" has the meaning assigned to that term in Annex 1.

"Operation Services Agreement" means the Operation Services Agreement between PSE&G Long Island LLC and LIPA, as amended from time to time.

"Outstanding" has the meaning specified in Section 1.01 of the Bond Indenture.

"Outstanding Amount" has the meaning specified in Section 1.01 of the Bond Indenture.

"Payment Date" means, with respect to any Tranche of Bonds, the dates specified in the Bond Indenture for the payment of interest on the Bonds; or if any such date is not a Business Day, the next Business Day.

"Person" has the meaning specified in Section 1.01 of the Bond Indenture.

"Principal Balance" means, as of any Payment Date, the sum of the outstanding principal amount of the Bonds.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Bond Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of the Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Rating Agency" means, as of any date, any rating agency rating the Bonds of any Tranche at the time of issuance thereof at the request of the Bond Issuer. 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 Bond Issuer, notice of which designation shall be given to the Bond Trustee, the Authority and the Servicer.

"Rating Agency Condition" means, with respect to any action, not less than ten Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of Standard & Poor's and Moody's to the Servicer, the Bond Trustee and the Bond 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 Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Bond Issuer that such action has resulted or would result in the suspension, reduction or withdrawal of the then current rating of any Tranche of Bonds; provided, that if within such ten Business Day period, any Rating Agency (other than Standard & Poor's) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Bond Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second 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

## APPENDIX A

### Definitions



writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"Reconciliation Period" means the twelve-month period ending the last day of the Collection Period preceding the calculation of Remittance Shortfalls or Excess Remittances under Section 3.03(c) the Servicing Agreement; provided, that the initial Reconciliation Period shall commence on the Closing Date and may be less than twelve months.

"Remittance" means each transfer hereunder of estimated Charge Collections or Remittance Shortfalls from the Allocation Account to the Collection Account.

"Remittance Date" means each Business Day on which a Remittance is to be made by the Servicer pursuant to Section 3.03 of this Agreement.

"Remittance Shortfall" means the amount, if any, calculated for a particular Reconciliation Period, by which Actual Charge Collections received by the Servicer during such Reconciliation Period exceed all Estimated Charge Collections remitted to the Collection Account during such Reconciliation Period and taking into account any Excess Remittance or Remittance Shortfall previously paid during such Reconciliation Period.

"Required Reserve Level" has the meaning specified in Section 1.01 of the Bond Indenture.

"Reserve Subaccount" has the meaning specified in Section 1.01 of the Bond Indenture.

"Responsible Officer" means the chief executive officer, the president, any vice president, the treasurer, any assistant treasurer, the clerk, any assistant clerk, the controller or the director of finance and cash management of the Servicer.

"Restructuring Property" means the Restructuring Property that is created pursuant to the Financing Order and is sold by the Seller to the Bond Issuer under the Sale Agreement.

"Restructuring Property Documentation" means all documents relating to the Restructuring Property, including copies of the Financing Order and all documents filed with the Authority in connection with any Adjustment Notice.

"Retirement of the Bonds" means the day on which the final payment is made to the Bond Trustee in respect of the last outstanding Bond.

"Rule 15c2-12" or the "Rule" means Rule 15c2-12 of the SEC under the Securities Exchange Act of 1934, as amended.

"Sale Agreement" means the Restructuring Property Purchase and Sale Agreement dated as of December 18, 2013, between the Long Island Power Authority, as Seller, and the Bond Issuer, as the same may be amended and supplemented from time to time.

"Scheduled Maturity Date" has the meaning specified in Section 1.01 of the Bond Indenture

"SEC" means the U.S. Securities and Exchange Commission.

"Seller" means the Long Island Power Authority, a New York public authority, and its permitted successors and assigns under the Sale Agreement.

"Semiannual Servicer Certificate" has the meaning assigned to that term in Annex 1 to this Agreement.

## APPENDIX A Definitions

“Service Area” means the geographical area within which LIPA provided electric transmission and distribution services as of July 29, 2013.

“Servicer” means LIPA, as the servicer of the Restructuring Property, or each successor (in the same capacity) pursuant to Section 5.03 or 6.04 of this Agreement.

“Servicer Default” means an event specified in Section 6.01 of this Agreement.

“Servicing Fee” has the meaning set forth in Section 5.07 of this Agreement.

“Sponsor” means the Authority and its permitted successors and assigns under the Sale Agreement.

“Standard & Poor's” means Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or its successor.

“Statute” means Part B of Chapter 173, Laws of New York, 2013.

“T&D System Assets” means the T&D system assets as defined in the Statute.

“T&D Rates” means the rates and charges for electric transmission and distribution services in the Service Area. “T&D Rates” shall not include charges for the generation or resale of electricity or any charges imposed to fund public purpose programs.

“Termination Notice” has the meaning assigned to that term in Section 6.01 of this Agreement.

“Third Party” means an entity (other than the Servicer and its agents, subservicers or subcontractors) who bills and collects the Charge to and from Customers in accordance with the Statute, Authority Regulations and any order of the Authority.

“Tranche” or “Tranche of Bonds” has the meaning specified in Section 1.01 of the Bond Indenture.

“True-Up Adjustment” means each adjustment to the Charge made in accordance with Annex 1 of this Agreement.

“Written Notice”, “written notice” or “notice in writing” means notice in writing which may be delivered by hand or first class mail and also means electronic transmission.

“17g-5 Website” has the meaning specified in Section 1.01 of the Bond Indenture.

## APPENDIX A Definitions