UTILITY DEBT SECURITIZATION AUTHORITY
GUIDELINES FOR INVESTING, SECURING,
MONITORING AND REPORTING ON AUTHORITY FUNDS
AVAILABLE FOR INVESTMENT ADOPTED BY THE
BOARD OF TRUSTEES OF THE
UTILITY DEBT SECURITIZATION AUTHORITY ON
March 28, 2022

ARTICLE I

STATEMENT OF PURPOSE: TITLE

Section 101. Statement of Purpose. These Guidelines are adopted pursuant to the provisions of the Act and Section 2925 of the Public Authorities Law of the State. These Guidelines shall cover all funds of the Utility Debt Securitization Authority (the "Authority"). These Guidelines are within the legal investment parameters established by the Act and Section 2925 of the Public Authorities Law of the State.

Section 102. Title. Outside of this document, these Guidelines may be referred to as the "Investment Guidelines".

ARTICLE II

DEFINITION OF TERMS

Section 201. Definitions. Any capitalized terms used but not defined in these Guidelines shall have the meanings set forth in the Indenture (as defined below). For all purposes of these Guidelines, the terms listed below shall have the following meanings:

"Act" shall mean Part B of Chapter 173, Laws of New York, 2013. "Administrator" shall mean Long Island Lighting Company d/b/a LIPA as "Administrator" under an Administration Agreement to be entered into between the Authority and Long Island Lighting Company d/b/a LIPA.

"Authority Trustees" shall mean the trustees of the Authority pursuant to the Act.

"Bond Proceeds" shall mean the Bond proceeds of the Authority available for investment.

"Bonds" shall mean any bonds issued by the Authority pursuant to the Act.

"Bond Trustee" shall mean The Bank of New York Mellon, as trustee under the Indenture.

"Certificate of Deposit" shall mean a deposit of account by the Authority at an Eligible Institution with a defined dollar amount, term, rate and place of payment, which shall be collateralized as set forth herein.

"Counsel" shall mean the General Counsel of the Long Island Power Authority or such other counsel as may be appointed by the Authority Trustees.

"Custodian" shall mean an Eligible Institution designated or approved by the Authority to hold collateral pertaining to investments by or securities purchased by the Authority. With respect to the holding of securities purchased pursuant to a Repurchase Obligation, or securing a deposit of funds of the Authority, such Custodian may not be the party, or an agent of the party, with whom the Authority has entered into such Repurchase Obligation or deposit arrangement.

"Demand Deposit" shall mean any funds invested by the Authority with an Eligible Institution.

"Depository" shall mean an Eligible Institution designated by the Authority to hold deposits of the funds of the Authority.

"Eligible Institution" means (a) the corporate trust department of the Bond Trustee so long as any securities of the Bond Trustee have either a short-term credit rating from Moody's of at least "P-1" or a long-term unsecured debt rating from Moody's of at least "A2" and have a credit rating from each of the other rating agencies in one of its generic categories which signifies investment grade ratings, or (b) a depository institution organized under the laws of the United States of America, any State or the District of Columbia (or any domestic branch of a foreign bank), (i) which has either (A) a long-term issuer rating of "AA-" or higher by Standard & Poor's and "A2" or higher by Moody's, and, if rated by Fitch, the equivalent of the lower of those two ratings by Fitch, or (B) a short-term issuer rating of "A-1+" or higher by Standard & Poor's and "P-1" or higher by Moody's, and, if Fitch provides a rating thereon, "F1+" by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to Standard & Poor's and Moody's and (ii) whose deposits are insured by the FDIC.

"Eligible Investments" shall have the meaning as set forth in the Indenture, a copy of the definition of which shall be attached hereto as Appendix A.

"Financial Advisor" shall mean any investment banker, broker, agent, dealer or other financial advisor or agent engaged in rendering advice to the Authority regarding its Bonds and/or the investment of funds of the Authority.

"Guidelines" shall mean these guidelines, as they may be amended from time to time.

"Indenture" shall mean the Utility Debt Securitization Authority Bond Indenture to be entered into between the Authority and The Bank of New York Mellon, as trustee with respect to Bonds, as it may be amended and supplemented, and in effect from time to time.

"Investment Advisor" shall mean any investment banker, broker, agent, dealer or other investment advisor or agent engaged in rendering advice pursuant to a personal services contract to the Authority regarding the investment of the Authority's moneys.

"Primary Dealer" shall mean any governmental bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York and included in the most current "List of the Primary Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York".

"Recording Agent" shall mean the Federal Reserve Bank, the Depository Trust Company or any other nationally recognized firm authorized to hold securities in book entry form.

"Repurchase Obligation" shall mean two simultaneous transactions, one the purchase of securities by the Authority from an Eligible Institution, the other the commitment on the Eligible Institution's part to repurchase the securities at an agreed price at some mutually agreed upon future date.

"State" shall mean the State of New York.

"Time Deposits" shall mean any funds invested by the Authority with an Eligible Institution for a specified period of time other than in a Certificate of Deposit.

Section 202. Construction of Language. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa.

ARTICLE III

PERMITTED INVESTMENTS - SPECIFIC FUNDS

Section 301. Authority Funds. All available Bond Proceeds and other Authority monies, including without limitation, all monies held under the Indenture shall be invested only in Eligible Investments.

ARTICLE IV

INVESTMENT AND COLLATERAL REQUIREMENTS

Section 401. Eligible Investments. Eligible Investments which are purchased directly by the Authority must be delivered to the Authority or its Custodian or the Bond Trustee, and payment for Eligible Investments shall only be made upon delivery of such Eligible Investments. If the Eligible Investments are in book-entry form, the Authority shall require that the record books of the Recording Agent be adjusted to record the interests of the Custodian or the Bond Trustee and the record books of the Custodian or the Bond Trustee be adjusted to record the interest of the Authority.

Section 402. Agreements relating to Collateral. To the extent that any Eligible Investments are required to be collateralized by the terms of the Indenture, such Eligible

Investments shall be collateralized in accordance with the Indenture and the following provisions:

(i) The applicable collateral shall be delivered to either the Bond Trustee or a Custodian selected and approved in writing by the Authority, except as otherwise authorized in Section 403(c).

(ii) A written agreement shall be entered into which shall specify the type, amount and nature of the collateral to be provided, the frequency of the valuation of any such collateral, the right and ability to substitute securities as collateral, the events of default which would permit the Authority or its Custodians or Bond Trustee to liquidate or purchase the underlying securities and the party who is to have title to the underlying collateral during the terms of the agreement

Section 403. Custodians; Valuation of Collateral or Security.

(a) Custodians whose function is to hold collateral shall receive authorization from the Authority or the Bond Trustee (as appropriate) prior to delivering or transferring obligations held as collateral out of the Authority's or the Bond Trustee's account. Delivery or transfer of collateral shall be made only upon receipt of funds or substitute collateral. Such Custodians shall confirm to the Administrator whenever activity has occurred in the Authority's custodial accounts.

(b) A Custodian holding collateral for the Authority shall be a member of the Federal Reserve Bank or shall maintain accounts with member banks to accomplish book-entry transfer of securities to the credit of the Authority. Transfer of securities, whether by book-entry or physical delivery, shall be confirmed in writing to the Authority by such Custodian.

(c) For any investment required to be collateralized, the collateral must be delivered to the Custodian. This requirement may be waived by the Chair for all such investments, except Repurchase Obligations. All collateral must be valued to market at least monthly, unless otherwise provided.

ARTICLE V

CERTAIN REQUIREMENTS FOR BANKS ACTING AS CUSTODIANS AND/OR BOND TRUSTEES

Section 501. Required Reports.

(a) The Authority shall require that each Eligible Institution with which the Authority has Demand Deposits, Time Deposits or Certificates of Deposit shall deliver to the Authority at least annually, (i) a copy of the Eligible Institution's FDIC annual report and, if applicable, the Federal Reserve Bank annual report and (ii) an audit report prepared by such Eligible Institution's external auditor in accordance with generally accepted auditing standards.

Section 502. Access for Authority Auditors. The Authority shall require that any Custodian which is holding securities for the account of or in trust for the Authority, or

pledged to the Authority or the Bond Trustee, permit the Authority or its agents to access such Custodian's books and records to conduct an audit of such securities.

Section 503. Record of Investments. A record of each of the Authority's investments shall be maintained by the Administrator. Such records shall identify the security, the fund for which the investment is held, the place where the investment is maintained, the date of disposition and amount realized, and the market value of collateral and the Custodian of collateral.

ARTICLE VI

DIVERSIFICATION OF INVESTMENTS; APPROVAL OF INVESTMENTS; SELECTION OF INVESTMENT FIRMS

Section 601. Diversification Standard. No more than 5% of Eligible Investments shall be invested, collectively, in the securities of any single issuer or counterparty with the following exceptions: (i) direct obligations of, or obligations guaranteed by the United States of America; (ii) demand deposits, time deposits, or certificates of deposit and bankers' acceptances of Eligible Institution (including the Bond Trustee); (iii) repurchase obligations with respect to any security that is a direct obligation of, or obligations guaranteed by, the United States of America; (iv) repurchase obligations with respect to any security with an Eligible Institution; and (iv) money market funds which have the highest rating from each of the Rating Agencies from which a rating is available. To the extent that more than 35% of the Authority's total invested funds are invested with any single Eligible Institution, other than the Bond Trustee, the Administrator shall so advise the Trustees. The term of Eligible Investments shall be limited to that set forth in the definition of Eligible Investments in the Indenture, a copy of the definition of which is attached hereto in Appendix A.

Section 602. Approval of Investments. All investments shall be reviewed and recommended by the Administrator and shall be approved by the Chief Financial Officer or any Trustee or by such other persons as the Authority may provide by resolution and are subject to the approval of the Administrator in accordance with the Indenture. The Administrator may retain an Investment Advisor, the provision of instructions in accordance with these Guidelines to such Investment Advisor shall constitute review and recommendation by the Administrator.

Section 603. Selection of Investment Firms. The Administrator or the Investment Advisor retained by the Administrator is authorized to and shall maintain a list of firms to be selected from for each type of investment made by the Authority. Such list shall be revised from time to time, as required.

ARTICLE VII

REQUIREMENT OF INVESTMENTS BY WRITTEN CONTRACTS

Section 701. Written Contracts. The Authority has determined that, with the exception of repurchase obligations, written contracts are not a regular business practice for the types of securities in which the Authority monies may be invested. Repurchase obligations shall

be made pursuant to written contracts. The interests of the Authority will be adequately protected by conditioning payment by or on behalf of the Authority on the physical delivery of purchased securities to the Authority or its Custodian, or, in the case of book-entry transactions, on the crediting of the purchased securities to the Custodian's account. In addition, all purchases will be confirmed in writing to the Authority.

Section 702. Contract Provisions. Each written contract shall provide for sufficient security of the Authority's financial interest as required by the provisions of these Guidelines. Each such contract shall describe (a) the use, type and amount of collateral or insurance for each investment, (b) the method for valuation of any required collateral and procedure for regular monitoring of that valuation, and (c) the monitoring, control, deposit and retention of investments and any required collateral, including, in the case of a Repurchase Obligation, physical or book-entry delivery of the purchased obligations to the Authority or its Custodian (which shall not be the party, or an agent of the party, with whom the Authority enters into such Repurchase Obligation) or other action necessary to obtain title to such obligations.

Section 703. Form of Contracts. The form of all written contracts shall be approved by the Counsel.

Section 704. Execution of Contracts. All investment contracts to which the Authority is a party shall be approved and executed by the Chair or the Chief Financial Officer or his or her designee.

ARTICLE VIII

AUDIT AND REPORTS

Section 801. Annual Independent Audit. The Authority shall secure annual independent audits of all investments.

Section 802. Quarterly Reports. Within forty-five days after the conclusion of each quarter of the Authority's fiscal year, the Administrator shall prepare and deliver to the Authority Trustees a report on the Authority's investments. Such reports shall include a description of new investments and the Primary Dealer(s), firms, or Eligible Institution(s) with whom the investment was transacted, the inventory of existing investments and when applicable the selection of Investment Advisors, auditors, brokers, agents, firms for purposes of Section 603 and Primary Dealers.

Section 803. Annual Investment Report.

(a) Within (90) days after the close of each fiscal year, the Administrator shall prepare and the Authority Trustees shall approve an annual investment report coincident with the Audited Financial Statements. Such report will include these Guidelines and any amendments to these Guidelines since the last investment report, an explanation of these Guidelines and any amendments to these Guidelines since the last investment report, the results of the annual independent audit of the investments, an evaluation of the portfolio of the Authority by an independent auditor, the annual investment income record of the Authority and a list of the total fees, commissions or other

compensations, by payee, paid to each Investment Advisor since the last annual investment report, and an annual consolidation of any other material contained in the quarterly reports.

(b) This annual investment report, after being approved by the Authority Trustees, shall be submitted to the Division of the Budget with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee.

(c) Copies of the Annual Investment Report shall be available to the public upon reasonable request at the Authority's main office.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 901. Operating Procedures. The Authority shall cause the Administrator to develop and maintain:

(a) A system of internal controls;

(b) Adequate accounts and records that accurately reflect all transaction;

(c) A data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and

(d) Requirements for periodic reporting and accountability.

Section 902. Conflicting Provisions. In the event that there is any conflict between the provisions of these Guidelines and the provisions of the Indenture, the provisions in the Indenture shall control.

Section 903. Action by Administrator. Any action that is required to be taken by the Authority pursuant to these Guidelines may be taken by the Administrator, as agent of the Authority.

Section 904. Amendments. Any modification or amendment to these Guidelines may be made by a Resolution adopted by the Authority at any duly constituted Authority meeting; provided, however, that no such modification or amendment to these Guidelines shall abrogate the rights and duties of the existing Authority contracts with third parties; and further provided that the Chair or the Chief Financial Officer may make non-material changes in these Guidelines.

Section 905. No Recourse under these Guidelines. No provision in these Guidelines shall be the basis of any claim against any Authority Trustee, officer, agent or employee of the Authority in his individual or official capacity or against the Authority itself.

Section 906. Effect upon Existing Contract. These Guidelines shall not abrogate the rights and duties of the Authority's contracts with third parties executed prior to the effective date of these Guidelines.

Section 907. Effect of Failure to Comply. Failure to comply with these Guidelines shall not invalidate any investment or affect the validity of the authorization of any Authority Trustee or the Chief Financial Officer, or their designee to make such investments.

APPENDIX A

"Eligible Investments" mean instruments and investment property denominated in United States currency which mature (i) on or before the Business Day preceding the next Payment Date or, if and when established, any special payment date pursuant to Section 2.08(c), and (ii) in the case of investments in the General Subaccount and the Excess Funds Subaccount after June 15, which mature on or before the Business Day preceding the next June 30 (or such earlier date(s) as the Servicer shall specify to the Bond Trustee in writing) to permit Excess Remittances to be paid therefrom pursuant to Section 3.03(c) of the Servicing Agreement and Section 8.02(e), and meet the criteria described below:

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

(b) demand deposits, time deposits or certificates of deposit and bankers' acceptances of Eligible Institutions (including the Bond Trustee in its commercial capacity);

(c) commercial paper having, at the time of the investment or contractual commitment, a rating of not less than "A-1" from Standard & Poor's, not less than "P-1" by Moody's and not less than "F1" by Fitch (including commercial paper issued by the Bond Trustee);

(d) money market funds which have the highest rating from each of the Rating Agencies from which a rating is available (including funds for which the Bond Trustee or any of its Affiliates is an investment manager or advisor);

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

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or a registered broker-dealer, acting as principal and that meets certain ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by Standard & Poor's and, if Fitch provides a rating thereon, "F-1+" by Fitch, and the long-term debt obligations of which are rated at least "Aa3" by Moody's, in each case at the time of entering into this repurchase obligation, or

(ii) an unrated broker/dealer acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by Standard & Poor's and, if Fitch provides a rating thereon, "F-1+" by Fitch, and the long-term debt obligations of which are rated at least "Aa3" by Moody's, in each case at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies, as evidenced by Issuer Order accompanied by evidence of such permission reasonably satisfactory to the Bond Trustee.