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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

August 5, 2019

**VIA ELECTRONIC MAIL AND HAND DELIVERY**

Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue  
3<sup>rd</sup> Floor, Suite 314  
P.O. Box 350  
Trenton, New Jersey 08625-0350

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

**Re: In the Matter of the Community Solar Energy Pilot Program; Docket No. QO18060646**

Dear Secretary Camacho-Welch,

On behalf of Jersey Central Power & Light Company ("JCP&L") enclosed for filing in the above-referenced matter are the original and 11 copies of JCP&L's Motion for Reconsideration. Kindly stamp one of the enclosed copies as "filed" and return to the undersigned using the enclosed self-addressed stamped envelope. Thank you in advance for your cooperation.

Respectfully submitted,



Lauren Lepkoski  
2800 Pottsville Pike  
P.O. Box 16001  
Reading, PA 19612-6001

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CASE MANAGEMENT

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STATE OF NEW JERSEY  
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TRENTON, NJ

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In the Matter of the Community Solar  
Energy Pilot Program

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BPU Docket No. QO18060646

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**MOTION FOR RECONSIDERATION OF JERSEY CENTRAL POWER & LIGHT  
COMPANY FROM THE BOARD OF PUBLIC UTILITIES' ORDER  
EFFECTIVE JULY 20, 2019**

---

Lauren M. Lepkoski  
2800 Pottsville Pike  
P.O. Box 16001  
Reading, PA 19612-6001

Attorney for Petitioner,  
Jersey Central Power & Light Company

## **INTRODUCTION**

Pursuant to *N.J.A.C.* 14:1-8.6, Jersey Central Power & Light Company (“JCP&L” or the “Company”) hereby requests reconsideration of certain aspects of the Board of Public Utilities’ (“Board” or “BPU) Order effective July 20, 2019 in the above-captioned matter. More specifically, JCP&L is seeking reconsideration with respect to the Board’s decision on the following issues:

1. The inclusion of the non-utility generation (“NGC”) charge in the community solar credit;  
and
2. The inclusion of the customer charge in the community solar credit.<sup>1</sup>

## **STANDARD OF REVIEW**

In general, New Jersey administrative agencies have the inherent power to reopen or to modify and rehear prior decisions. *See, e.g., In re Trantino Parole Application*, 89 N.J. 347, 364 (1982). With respect to cases before the Board, *N.J.S.A.* 48:2-40 expressly provides that the Board at any time may order a rehearing and/or extend, revoke or modify an order made by it. *See Tp. of Deptford v. Woodbury Terrace Sewerage Corp.*, 54 N.J. 418, 425 (1969); *see also N.J.A.C.* 14:1-8.6(b). An administrative agency may invoke its inherent power to rehear a matter “to serve the ends of essential justice and the policy of the law.” *Handlon v. Town of Belleville*, 4 N.J. 99, 107 (1950). The power to reappraise and modify prior determinations may be invoked by administrative agencies to protect the public interest and thereby to serve the ends of essential justice. *Trap Rock Industries, Inc. v. Sagner*, 133 N.J.Super. 99, 109 (App. Div. 1975).

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<sup>1</sup> On August 1, 2019, Board staff indicated that the Board intends to modify its July 20, 2019 Order to address both of these issues; however, these modifications cannot occur before the deadline for motions for reconsideration. As discussed further below, if the July 20, 2019 Order becomes final, one of JCP&L’s transition bonds would be subject to default. Accordingly, this motion is being submitted to prevent this outcome.

The Board has stated that:

Generally, a party seeking reconsideration of a Board decision must demonstrate special circumstances, such as material error, which justify reconsideration of the case. Thus, where there is a new development or new evidence relating to established facts or a material misapprehension by the Board concerning an essential matter, which is critical to its final determination, there is a reasonable basis for reconsideration of the Board's order. See, e.g., *In re Trantino Parole Application, supra*. Absent such a showing, the Board will not reconsider its final decision.

*I/M/O Comprehensive Resource Analysis of the Energy Programs Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999*, BPU Dkt Nos. EX99050347 *et al.* (Order dated July 13, 2001 at pp. 23-24). The Board's rules require that petitioners identify alleged errors of law or fact, as well as any additional evidence, as part of a motion for reconsideration. *N.J.A.C.* 14:1-8.6(b).

In the instant matter, the Board's final decision regarding the two above-listed issues constitutes material error and JCP&L requests that the Board consider the additional evidence discussed herein. Under *N.J.S.A.* 48:3-87.11(b)(5), the Board has the authority to establish the value of the community solar credit on each participating customer's bill. The Board adopted regulations providing that the value of the credit shall be set at the retail rate, including supply and delivery charges and excluding non-bypassable charges. *N.J.A.C.* 14:8-9.7(a) and (c). In the Board's July 20, 2019 Order, the Board held that only four charges would be considered non-bypassable for program year one of the community solar pilot program and excluded from the community solar credit: the societal benefits charge, the market transition charge ("MTC"), the transition bond charge, and the zero emission certificate charge. In addition, the Board clarified that demand charges are excluded from the community solar credit.



Consistent with prior Board precedent, the NGC is non-bypassable and, in JCP&L's case, includes the MTC and, therefore, must be excluded from the community solar credit. Holding otherwise would violate New Jersey statute and conflict with JCP&L's bond covenants, creating potential liability to JCP&L and the State of New Jersey. In addition, a customer charge is a fixed charge, which, by the very nature of a fixed charge, is not conducive to apportionment as a credit to customers based on their proportionate subscription to a community solar project. The Board should clarify that it is proper to exclude the customer charge from the community solar credit as it compensates JCP&L for activities (e.g., meter costs and meter reading) that will continue irrespective of whether the customer participates in the community solar program. Accordingly, the Board should grant reconsideration and modify its Order with respect to each of the issues address in this Motion.

**1. The Non-Utility Generation Charge includes the MTC and Should be Excluded From the Community Solar Credit.**

JCP&L is seeking that the Board revise its July 20, 2019 Order to exclude the NGC from the community solar credit. The Board's rationale for including the NGC, as well as certain other rider charges, in the community solar credit is that these charges are not explicitly referred to as non-bypassable within a statute. However, this rationale is not strictly true with respect to the NGC. While the July 20, 2019 Order properly intends to exclude the MTC as a non-bypassable charge, because JCP&L's MTC is a component of its NGC, the MTC is not excluded as non-bypassable according to the July 20, 2019 Order. JCP&L's NGC was renamed in 2004 and previously referred to as the MTC. *In the Matter of the Verified Petition of Jersey Central Power & Light Co. for Review and Approval of an Increase in and Adjustments to Its Unbundled Rates and Charges for Electric Service, and for Approval of Other Proposed Tariff Revisions in Connection Therewith*, Docket No. ER02080506 (Order entered May 17, 2004). As recognized

by the Board in the July 20, 2019 Order, statutory authority exists for the non-bypassable collection of the MTC. *N.J.S.A.* 48:3-61. In this circumstance, the same statutory authority that applies to the MTC also applies to the NGC, and the NGC likewise must be excluded from the community solar credit.

In addition, JCP&L currently collects costs via the NGC pursuant to a bondable stranded costs rate order dated June 8, 2006. *Re Jersey Central Power & Light Company*, Docket No. ER03020133 (Order entered June 8, 2006); *see also* JCP&L Tariff, *Board of Public Utilities No. 12 Electric – Part III*, 5<sup>th</sup> Rev. Sheet No. 40 (Effective July 1, 2019). As part of the order, the Board approved a non-bypassable recovery of these costs from all customers.<sup>2</sup> *N.J.S.A.* 48:3-66(a) provides as follows regarding the binding effect of bondable stranded costs rate orders:

The State of New Jersey...will not limit, alter or impair any bondable transition property or other rights vested in an electric public utility or an assignee or pledgee thereof or a financing entity or vested in the holders of any transition bonds pursuant to a bondable stranded costs rate order until such transition bonds, together with the interest and acquisition or redemption premium, if any, thereon, are fully paid and discharged or until such agreements are fully performed on the part of the electric public utility, any assignee or pledgee thereof or the financing entity or in any way limit, alter, impair or reduce the value or amount of the bondable transition property approved by a bondable stranded costs rate order....

By holding that the NGC would be included within the community solar credit, the Board effectively prohibits JCP&L from collecting the NGC from customers who participate in the community solar program. Such an action is in conflict with *N.J.S.A.* 48:3-66(a), which states that the State of New Jersey will not limit, alter, or impair the rights vested in JCP&L pursuant to a

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<sup>2</sup> “Pursuant to *N.J.S.A.* 48:3-67, the BGS Transition Bond Charge and the BGS MTC-Tax established by the Board in this BSCRO will be non-bypassable and will be assessed against and collected from all customers of JCP&L or any successor electric public utility, except as provided in *N.J.S.A.* 48:3-77, within JCP&L’s electric service area (as such service area exists as of the date of this Order), until the Total Payment Requirement is discharged in full, even past legal maturity.” *Re Jersey Central Power & Light Company*, Docket No. ER03020133 (Order entered June 8, 2006).

bondable stranded costs rate order. In this case, the bondable stranded costs rate order requires a non-bypassable collection of the costs associated with this bond from all customers.

Furthermore, under the terms of JCP&L's bond indenture, an event of default includes "any act or failure to act by the State of New Jersey or any of its agencies (including the BPU), officers or employees that violates or is not in accordance with the pledge and agreement of the State of New Jersey in Section 17(a) of the Competition Act (*N.J.S.A.* 48:3-66(a))." *See* Attachment A (Section 5.01(g) of JCP&L's Indenture). Therefore, the Board's July 20, 2019 Order, which is in conflict with *N.J.S.A.* 48:3-66(a), would result in a default of JCP&L's bond indenture and expose JCP&L and the State to potential liability. In an event of default, the indenture trustee is "...entitled and empowered to the extent permitted by applicable law to institute or participate in Proceedings reasonably necessary to compel performance of or to enforce the pledge and agreement for the State of New Jersey...and to collect any monetary damages incurred by the Holders or the Trustee as a result of any such Event of Default..." Attachment A (Section 5.04(b) of JCP&L's Indenture).<sup>3</sup>

For the foregoing reasons, the Board must revise its July 20, 2019 Order to hold that the NGC is a non-bypassable charge that is excluded from the community solar credit. Without this modification, the July 20, 2019 Order violates *N.J.S.A.* 48:3-66(a) and exposes JCP&L and the State to potential liability as a result of the default of JCP&L's bond indenture.

## **2. It is Inappropriate to Exclude the Customer Charge From the Community Solar Credit.**

The customer charge should be excluded from the community solar credit due to its nature as a fixed charge. The Board's community solar regulations require that community solar credits

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<sup>3</sup> The Servicing Agreement associated with this bond issuance is also attached hereto as Attachment B.

be applied to a customer's bill "in proportion to each subscriber's share of the community solar project." *N.J.A.C. 14:8-9.7(n)*. In any month when the customer's actual usage exceeds the customer's share of the community solar project, the community solar credit will only offset a fraction of the customer's monthly bill. Because the customer charge is a fixed charge that is the same for all customers of each class, no current billing mechanism exists to only bill customers for a fraction of their customer charge. Inclusion of the customer charge within the community solar credit would require significant systems modifications at considerable expense, or alternatively, manual effort to bill customers to apportion this charge.

In the Board's July 20, 2019 Order, the Board states that the community solar credit should include supply and delivery charges and exclude demand charges. Seemingly, the BPU recognized that demand charges, which by their nature recover fixed costs associated with the capacity the Company must install and/or reserve on its distribution system to service a customer's load requirements, are properly excluded from the community solar credit, as the capacity installed and/or reserved on the Company's distribution system is not reduced when providing service to community solar participants. Likewise, the costs for services that the Company provides that are collected under the customer charge are not reduced when providing service to community solar participants.

Moreover, cost causation principles dictate that community solar participants should continue to be charged the customer charge. The customer charge is largely comprised of meter and meter reading costs, which inarguably are not avoided by community solar participation. Because community solar participants are all active customers of JCP&L, they will continue to require meter and meter reading services and should be charged accordingly. It should be noted that the customer charge is not included in the credits provided to net metering customers.

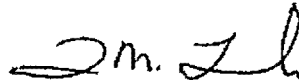
Based on the fixed nature of the customer charge and consistent with cost causation principles, the Board should clarify as part of its July 20, 2019 Order that the customer charge is excluded from the community solar credit.

**CONCLUSION**

For the foregoing reasons, Jersey Central Power & Light Company respectfully requests that the Board grant reconsideration of its Order with respect to the issues set forth herein, and modify the Order as requested in this Motion.

Dated: August 5, 2019

Respectfully submitted,



---

Lauren Lepkoski  
2800 Pottsville Pike  
P.O. Box 16001  
Reading, PA 19612-6001

Attorney for Petitioner,  
Jersey Central Power & Light Company

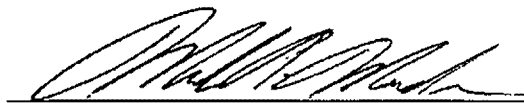
**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

In the Matter of the Community Solar Energy	:	
Pilot Program	:	BPU Docket No. QO18060646
	:	

**VERIFICATION**

I, Mark Mader, Director of Rates and Regulatory Affairs for Jersey Central Power & Light Company, hereby state that the facts set forth in the motion for reconsideration of Jersey Central Power & Light Company submitted in the above-referenced matter are true and correct to the best of my knowledge, information and belief.

August 5, 2019

A handwritten signature in black ink, appearing to read "Mark Mader", is written over a horizontal line.

**EXECUTION COPY**

**INDENTURE**

**JCP&L TRANSITION FUNDING II LLC,**

**as Issuer**

**and**

**THE BANK OF NEW YORK**

**as Trustee**

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**INDENTURE**

**Dated as of August 10, 2006**

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**Securing Transition Bonds**

**Issuable in Series**



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## APPENDIX A      MASTER DEFINITIONS

INDENTURE, dated as of August 10, 2006, by and between JCP&L TRANSITION FUNDING II LLC, a Delaware limited liability company, as Issuer, and The Bank of New York, a New York banking corporation, in its capacity as trustee for the benefit of the Holders of the Transition Bonds, itself and each Swap Counterparty, if any (in its collective capacities, the "Trustee").

The Issuer has duly authorized the execution and delivery of this Indenture to provide for one or more Series, issuable as provided in this Indenture. Each such Series will be issued only under a separate Series Supplement to this Indenture duly executed and delivered by the Issuer and the Trustee. The Issuer is entering into this Indenture, and the Trustee is accepting the trusts created hereby, each for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and each intending to be legally bound hereby.

#### GRANTING CLAUSE

The Issuer hereby Grants to the Trustee for the benefit of (i) the Holders of the Transition Bonds from time to time issued and outstanding, (ii) the Trustee and (iii) each Swap Counterparty (but only to the extent specified in any Series Supplement), all of the Issuer's right, title and interest whether now owned or hereafter acquired, in, to and under: (a) all Bondable Transition Property, including, without limitation, the Bondable Transition Property transferred by the Seller to the Issuer from time to time pursuant to the Sale Agreement and all proceeds thereof; (b) the Sale Agreement; (c) all Bills of Sale delivered by the Seller pursuant to the Sale Agreement; (d) the Intercreditor Agreement; (e) the Servicing Agreement; (f) the Administration Agreement; (g) each Interest Rate Swap Agreement, if any; (h) the Collection Account and all sub-accounts thereof (including, without limitation, the General Subaccount, each Series Overcollateralization Subaccount, each Series Capital Subaccount, the Reserve Subaccount, each Series Subaccount, any Class Subaccount and any Defeasance Subaccount) and all cash, securities, instruments, investment property or other assets deposited in or credited to the Collection Account or any subaccount thereof from time to time or purchased with funds therefrom; (i) all investment property and all other property of whatever kind owned from time to time by the Issuer other than (x) any cash released to any Swap Counterparty by the Trustee from the related Class Subaccount pursuant to Section 8.02(f) and the related Series Supplement, (y) any cash or other property released to the Issuer by the Trustee from any Series Capital Subaccount pursuant to Section 8.02(g)(x) and (z) the proceeds from the sale of the Transition Bonds used to pay (1) the costs of issuance of the Transition Bonds and the Upfront Transaction Costs and Capital Reduction Costs (as those terms are defined in the Financing Order) and (2) the purchase price of the Bondable Transition Property paid pursuant to the Sale Agreement; (j) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing; and (k) all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

Such Grants are made to the Trustee to have and to hold in trust to secure the payment of Principal of and premium, if any, and interest on, and any other amounts owing in respect of, the Transition Bonds and all fees, expenses, counsel fees and other amounts due and owing to the Trustee and, if and to the extent provided in any Series Supplement, any amounts due and owing to each Swap Counterparty, (collectively, the "Secured Obligations") equally and ratably without prejudice, preference, priority or distinction, except as expressly provided in this Indenture, and to secure performance by the Issuer of all of the Issuer's other obligations under this Indenture, all as provided in this Indenture.

The Trustee, as trustee on behalf of the Holders of the Transition Bonds, acknowledges such Grant, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform its duties herein required.

## ARTICLE I

### DEFINITIONS AND INCORPORATION BY REFERENCE

**SECTION 1.01**      **DEFINITIONS.** Capitalized terms used but not otherwise defined in this Indenture have the respective meanings set forth in Appendix A hereto unless the context otherwise requires.

**SECTION 1.02**      **INCORPORATION BY REFERENCE OF THE TRUST INDENTURE ACT.** Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. Each of the following TIA terms used in this Indenture has the following meaning:

"Commission" means the U.S. Securities and Exchange Commission, and any successor thereof.

"indenture securities" means the Transition Bonds.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meanings assigned to them by such definitions.

**SECTION 1.03**      **RULES OF CONSTRUCTION.** For purposes of this Indenture:

(a)      An accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles of the United States of America as in effect from time to time;

(b)      "including" means including without limitation;

(c) with respect to terms defined in Appendix A hereto, words in the singular include the plural and words in the plural include the singular;

(d) unless otherwise specified, references herein to Sections or Articles are to Sections or Articles of this Indenture; and

(e) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

## ARTICLE II

### THE TRANSITION BONDS

#### SECTION 2.01 FORM.

(a) The Transition Bonds and the Trustee's certificate of authentication shall be in substantially the forms set forth in the exhibits to the related Series Supplement, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or by the related Series Supplement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the Manager of the Issuer executing such Transition Bonds, as evidenced by his or her execution of such Transition Bonds. Any portion of the text of any Transition Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Transition Bond. Each Transition Bond shall be dated the date of its authentication.

(b) The Transition Bonds shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Manager of the Issuer executing such Transition Bonds, as evidenced by his or her execution of such Transition Bonds.

(c) Each Transition Bond shall bear upon its face the designation so selected for the Series and Class, if any, to which it belongs. The terms of all Transition Bonds of the same Series shall be the same, unless such Series is comprised of one or more Classes, in which case the terms of all Transition Bonds of the same Class shall be the same.

(d) Each Transition Bond shall state that the Competition Act provides that the State of New Jersey pledges and agrees with the Holders of the Transition Bonds that "the State will not limit, alter or impair any bondable transition property or other rights vested in an electric public utility or an assignee or pledgee thereof or a financing entity or vested in the holders of any transition bonds pursuant to a bondable stranded costs rate order until such transition bonds, together with the interest and acquisition or redemption premium, if any, thereon, are fully paid and discharged or until such agreements are fully performed on the part of the electric public utility, any assignee or pledgee thereof or the financing entity or in any way limit, alter, impair or reduce the value or amount of the bondable transition property approved by a bondable stranded costs rate order".



SECTION 2.02 EXECUTION, AUTHENTICATION AND DELIVERY.

(a) The Transition Bonds shall be executed on behalf of the Issuer by a Manager. The signature of any such Manager on the Transition Bonds may be manual or facsimile.

(b) Transition Bonds bearing the manual or facsimile signature of an individual who was at any time a Manager shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Transition Bonds.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Transition Bonds executed on behalf of the Issuer to the Trustee pursuant to an Issuer Order for authentication; and the Trustee shall authenticate and deliver such Transition Bonds as in this Indenture and in such Issuer Order provided and not otherwise.

(d) No Transition Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Transition Bond a certificate of authentication substantially in the form provided for in the related Series Supplement executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Transition Bond shall be conclusive evidence, and the only evidence, that such Transition Bond has been duly authenticated and delivered hereunder.

(e) The Trustee may appoint an authenticating agent acceptable to the Issuer to authenticate Transition Bonds. An authenticating agent may authenticate Transition Bonds whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as the Paying Agent and the Transition Bond Registrar to deal with the Issuer or any Affiliate of the Issuer.

SECTION 2.03 DENOMINATIONS; TRANSITION BONDS ISSUABLE IN SERIES.

(a) The Transition Bonds of each Series shall be issuable as registered Transition Bonds in the Authorized Denominations specified in the Series Supplement therefor.

(b) The Transition Bonds may, at the election of and as authorized by a Manager and set forth in a Series Supplement, be issued in one or more Series (each of which may be comprised of one or more Classes), and shall be designated generally as the "Transition Bonds" of the Issuer, with such further particular designations added or incorporated in such title for the Transition Bonds of any particular Series or Class as a Manager of the Issuer may determine and be set forth in the Series Supplement therefor.

(c) Each Series shall be created by a Series Supplement authorized by a Manager and establishing the terms and provisions of such Series and, if applicable, any Classes thereof. The several Series and any Classes thereof may differ as between Series and Classes, in respect of any of the following matters:

- (i) designation of the Series and each Class thereof;
- (ii) the aggregate initial principal amount of the Series and each Class thereof;
- (iii) the Interest Rate or Interest Rates of the Series and each Class thereof or the formula, if any, used to calculate the applicable Interest Rate or Interest Rates for the Series and each Class thereof;
- (iv) the Payment Dates of the Series and each Class thereof;
- (v) the Expected Final Payment Date of the Series and each Class thereof;
- (vi) the Final Maturity Date of the Series and each Class thereof;
- (vii) the Series Issuance Date of the Series;
- (viii) the place or places for payments with respect to the Series and each Class thereof;
- (ix) the Authorized Denominations for the Series and each Class thereof;
- (x) the provisions, if any, for redemption by the Issuer of the Series and each Class thereof;
- (xi) the Expected Amortization Schedule for the Series and each Class thereof;
- (xii) the Overcollateralization Amount with respect to the Series;
- (xiii) the Required Capital Amount with respect to the Series;
- (xiv) the Calculation Dates and Adjustment Dates for the Series;
- (xv) the credit enhancement, if any, applicable to the Series and each Class thereof; and
- (xvi) any other terms of the Series or each Class that are not inconsistent with the provisions of this Indenture.

#### SECTION 2.04 TEMPORARY TRANSITION BONDS.

(a) Pending the preparation of definitive Transition Bonds pursuant to Section 2.13, or, in the case of Transition Bonds held in a book-entry only system by a Clearing Agency, any Manager on behalf of the Issuer may execute, and upon receipt of an Issuer Order the Trustee shall authenticate and deliver, temporary Transition Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, of the tenor of the definitive

Transition Bonds in lieu of which they are issued and with such variations not inconsistent with the terms of this Indenture and the related Series Supplement as the Manager executing such Transition Bonds may determine, as evidenced by his or her execution of such Transition Bonds.

(b) If temporary Transition Bonds are issued, the Issuer will cause definitive Transition Bonds to be prepared without unreasonable delay except where temporary Transition Bonds are held in a book-entry only system by a Clearing Agency in which case the Issuer shall not be required to prepare definitive Transition Bonds. After the preparation of definitive Transition Bonds, the temporary Transition Bonds shall be exchangeable for definitive Transition Bonds upon surrender of the temporary Transition Bonds at the office or agency of the Issuer to be maintained as provided in Section 3.02, without charge to any Holder. Upon surrender for cancellation of any one or more temporary Transition Bonds, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Series (and, if applicable, Class) and aggregate initial principal amount of definitive Transition Bonds in Authorized Denominations. Until so exchanged, the temporary Transition Bonds shall in all respects be entitled to the same benefits under this Indenture as definitive Transition Bonds.

#### SECTION 2.05      REGISTRATION; REGISTRATION OF TRANSFER AND EXCHANGE.

(a) The Issuer shall cause to be kept a register (the "Transition Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Transition Bonds and the registration of transfers of Transition Bonds. The Trustee shall be the registrar (the Trustee or any successor thereof in such capacity, the "Transition Bond Registrar") for the purpose of registering Transition Bonds and transfers of Transition Bonds as herein provided. Upon any resignation of any Transition Bond Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, shall assume the duties of Transition Bond Registrar.

(b) If a Person other than the Trustee is appointed by the Issuer as Transition Bond Registrar, the Issuer shall give the Trustee and any transfer, paying or listing agent of the Issuer appointed pursuant to Section 3.02(b) prompt written notice of the appointment of such Transition Bond Registrar and of the location, and any change in the location, of the Transition Bond Register; the Trustee and any such agent shall have the right to inspect the Transition Bond Register at all reasonable times and to obtain copies thereof; and the Trustee and any such agent shall have the right to conclusively rely upon a certificate executed on behalf of the Transition Bond Registrar by a duly authorized officer thereof as to the names and addresses of the Holders of the Transition Bonds and the original and Outstanding Amounts and number of such Transition Bonds (separately stated by Series and, if applicable, Class).

(c) Upon surrender for registration of transfer of any Transition Bond at the office or agency of the Issuer to be maintained as provided in Section 3.02; a Manager on behalf of the Issuer shall execute, and the Trustee shall authenticate and the Transition Bondholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Transition Bonds in any Authorized Denominations, of a like Series (and, if applicable, Class) and aggregate initial principal amount.

(d) At the option of the Holder, Transition Bonds may be exchanged for other Transition Bonds of a like Series (and, if applicable, Class) and aggregate initial principal amount in Authorized Denominations, upon surrender of the Transition Bonds to be exchanged at such office or agency as provided in Section 3.02. Whenever any Transition Bonds are so surrendered for exchange, a Manager on behalf of the Issuer shall execute, and the Trustee shall authenticate and the Transition Bondholder shall obtain from the Trustee, the Transition Bonds which the Transition Bondholder making the exchange is entitled to receive.

(e) All Transition Bonds issued upon any registration of transfer or exchange of Transition Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Transition Bonds surrendered upon such registration of transfer or exchange.

(f) Every Transition Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an Eligible Guarantor Institution in the form set forth in such Transition Bond.

(g) No service charge shall be made to a Holder for any registration of transfer or exchange of Transition Bonds, but, other than in respect of exchanges made pursuant to Sections 2.04 or 9.06 not involving any transfer, the Issuer may require payment by such Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Transition Bonds, and the fees and expenses of the Trustee.

(h) The preceding provisions of this Section 2.05 notwithstanding, the Issuer shall not be required to make, and the Transition Bond Registrar need not register, transfers or exchanges of Transition Bonds selected for redemption or transfers or exchanges of any Transition Bond for a period of fifteen days preceding the date on which final payment of Principal is to be made with respect to such Transition Bond.

#### SECTION 2.06 MUTILATED, DESTROYED, LOST OR STOLEN TRANSITION BONDS.

(a) If (i) any mutilated Transition Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Transition Bond, and (ii) there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless, then, in the absence of notice to the Issuer, the Transition Bond Registrar or the Trustee that such Transition Bond has been acquired by a bona fide purchaser, a Manager on behalf of the Issuer shall execute, and upon a Manager's written request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Transition Bond, a replacement Transition Bond of like Series (and, if applicable, Class), tenor and initial principal amount in Authorized Denominations, bearing a number not contemporaneously outstanding; provided, however, that if any such destroyed, lost or stolen Transition Bond, but not a mutilated Transition Bond, shall have become or within seven days shall be due and payable, or shall have been called for redemption,

instead of issuing a replacement Transition Bond, the Issuer may pay such destroyed, lost or stolen Transition Bond when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Transition Bond or payment of a destroyed, lost or stolen Transition Bond pursuant to the proviso to the preceding sentence, a protected purchaser of the original Transition Bond in lieu of which such replacement Transition Bond was issued presents for payment such original Transition Bond, the Issuer and the Trustee shall be entitled to recover such replacement Transition Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement Transition Bond from such Person to whom such replacement Transition Bond was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

(b) Every replacement Transition Bond issued pursuant to this Section 2.06 in replacement of any mutilated, destroyed, lost or stolen Transition Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Transition Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Transition Bonds duly issued hereunder. Upon the issuance of any new Transition Bond under this Section, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee and its counsel) connected therewith.

(c) The provisions of this Section 2.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Transition Bonds.

**SECTION 2.07 PERSONS DEEMED OWNER.** Prior to due presentment for registration of transfer of any Transition Bond, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name any Transition Bond is registered (as of the day of determination) as the owner of such Transition Bond for the purpose of receiving payments of Principal of and interest on such Transition Bond and for all other purposes whatsoever, whether or not such Transition Bond be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

**SECTION 2.08 PAYMENT OF PRINCIPAL AND INTEREST; INTEREST ON OVERDUE PRINCIPAL; PRINCIPAL AND INTEREST RIGHTS PRESERVED.**

(a) The Transition Bonds shall accrue interest as provided in the form of Transition Bond attached to the Series Supplement for such Transition Bonds, at the applicable Interest Rate or Interest Rates specified therein, and such interest shall be payable on each Payment Date as specified therein. Any installment of interest or Principal payable on any Transition Bond which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Transition Bond is registered on the Record Date for such Payment Date, in the manner specified in the related Series Supplement, and if not specified therein, either (i) by check mailed first-class, postage prepaid to

such Person's address as it appears on the Transition Bond Register on such Record Date or (ii) with respect to Transition Bonds registered on a Record Date in the name of the nominee of the Clearing Agency (initially, such nominee to be Cede & Co.), by wire transfer in immediately available funds to the account designated by such nominee, except for the final installment of Principal payable with respect to such Transition Bond on a Payment Date, which shall be payable as provided in clause (b) below. The funds represented by any such checks or other amounts returned undelivered shall be held in accordance with Section 3.03.

(b) The Principal of each Transition Bond of each Series (and, if applicable, Class) shall be payable in installments on each Payment Date specified in the Expected Amortization Schedule included in the Series Supplement for such Transition Bonds, but only to the extent that moneys are available for such payment pursuant to Section 8.02; provided, that installments of Principal not paid when scheduled to be paid shall be paid upon receipt of moneys available for such purpose, in the sequential order set forth in the applicable Expected Amortization Schedule. Failure to pay in accordance with such Expected Amortization Schedule because moneys are not so available pursuant to Section 8.02 to make such payments shall not constitute a Default or Event of Default under this Indenture. Notwithstanding the foregoing, the entire Outstanding Principal amount of the Transition Bonds of any Series or Class shall be due and payable, if not previously paid, either (i) on the Final Maturity Date therefor, (ii) on the date on which the Transition Bonds of all Series have been declared immediately due and payable in accordance with Section 5.02 or (iii) on the Redemption Date, if any, therefor. The Trustee shall notify the Person in whose name a Transition Bond is registered, and any other Person required under the relevant Series Supplement, at the close of business on the second Record Date preceding the Payment Date on which the Issuer expects that the final installment of Principal of and interest on such Transition Bond will be paid. Such notice shall be mailed no later than five days prior to such final Payment Date and, subject to the Issuer's right to pay without surrender pursuant to Section 2.06(a), shall specify that such final installment of Principal will be payable only upon presentation and surrender of such Transition Bond and shall specify the place where such Transition Bond may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Transition Bonds also shall be mailed to Transition Bondholders as provided in Section 10.03.

(c) If the Issuer defaults in a payment of interest on the Transition Bonds of any Series, or is in default with respect to any amount payable to any Swap Counterparty, the Issuer shall pay such defaulted interest or such other amount, as the case may be, plus interest on such defaulted interest or on such other amount at the applicable Interest Rate or Interest Rates in any lawful manner (subject to the availability of such amounts in the related Class Subaccount, in the case of interest owed with respect to any Transition Bonds which have floating rates of interest). The Issuer may pay such defaulted interest to the Persons who are Transition Bondholders and to any Swap Counterparty, as applicable, at the rate specified in the related Series Supplement or Interest Rate Swap Agreement, respectively, on a subsequent special record date, which date shall be at least five Business Days prior to the payment date. The Issuer shall fix or cause to be fixed any such special record date and payment date, and, at least fifteen days before any such special record date, the Issuer shall mail to each affected Transition Bondholder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

**SECTION 2.09 CANCELLATION.** All Transition Bonds surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Transition Bonds previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Transition Bonds so delivered shall be promptly canceled by the Trustee. No Transition Bonds shall be authenticated in lieu of or in exchange for any Transition Bonds canceled as provided in this Section 2.09, except as expressly permitted by this Indenture. All canceled Transition Bonds may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided, that such Issuer Order is timely and the Transition Bonds have not been previously disposed of by the Trustee.

**SECTION 2.10 AMOUNT; AUTHENTICATION AND DELIVERY OF TRANSITION BONDS.**

(a) The Issuer may issue Transition Bonds of a new Series as a Financing Issuance or a Refunding Issuance.

(b) Transition Bonds of a new Series may from time to time be executed by a Manager on behalf of the Issuer and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee upon an Issuer Request and upon delivery by the Issuer, at the Issuer's expense, to the Trustee of the following:

(i) *Trust Action.* An Issuer Order authorizing and directing the authentication and delivery of the Transition Bonds by the Trustee and specifying the principal amount of Transition Bonds to be authenticated.

(ii) *Authorizing Certificate.* A certified resolution of the Managers authorizing the execution and delivery of the Series Supplement for the Transition Bonds applied for and the execution, authentication and delivery of such Transition Bonds.

(iii) *Series Supplement.* A Series Supplement for the Series being issued, which shall set forth the provisions and form of the Transition Bonds of such Series (and, if applicable, each Class thereof).

(iv) *Certificates of the Issuer and the Seller.*

(A) An Issuer Officer's Certificate dated as of the Series Issuance Date, stating:

(1) that no Default has occurred and is continuing under this Indenture and that the issuance of the Transition Bonds being issued on such Series Issuance Date will not result in any Default;

(2) that the Issuer has not assigned any interest or participation in the Collateral except for the Grant contained in this Indenture; that the Issuer has the power and authority to Grant a perfected



security interest in the Collateral to the Trustee as security hereunder; and that the Issuer, subject to the terms of this Indenture, has Granted to the Trustee a perfected security interest that is first priority in all of the Issuer's right, title and interest in, to and under the Collateral free and clear of any Lien, except the Lien of this Indenture;

(3) that the Issuer has appointed a firm of Independent registered public accountants as contemplated in Section 8.05;

(4) that attached thereto are duly executed, true and complete copies of the Sale Agreement, the Intercreditor Agreement and the Servicing Agreement;

(5) that all financing statements with respect to the Collateral which are required to be filed under the New Jersey UCC, the Delaware UCC or the uniform commercial code of any other jurisdiction by the terms of the Sale Agreement, the Servicing Agreement or this Indenture have been or will be filed as required; and

(6) that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Transition Bonds have been complied with.

(B) A Seller Officers' Certificate, dated as of the Series Issuance Date, to the effect that, in the case of the Bondable Transition Property to be transferred to the Issuer on such date, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement:

(1) no entity, other than the Seller, had any ownership interest in such Bondable Transition Property at any time; to the extent of the Seller's interest in the Bondable Transition Property, such interest in the Bondable Transition Property will be validly transferred and sold to the Issuer free and clear of all Liens (other than Liens created by the Issuer pursuant to this Indenture) and such transfer will be perfected; the Seller has the power and authority to sell and assign such interest in the Bondable Transition Property to the Issuer; the Seller has duly authorized such sale and assignment to the Issuer; and the Seller's state of incorporation is the State of New Jersey;

(2) the attached copy of the Financing Order creating such Bondable Transition Property is true and correct and is in full force and effect; and

(3) if the Series Issuance Date is after the date hereof, the representations and warranties contained in Sections 3.08(b), (d)(iv), (d)(v) and (f)(i)-(iii) of the Sale Agreement are true as if made on the date of conveyance of the Bondable Transition Property.

(v) *Issuer Opinion of Counsel.* An Issuer Opinion of Counsel, or any other opinion or opinions on which the Trustee may conclusively rely, portions of which may be delivered by counsel for the Issuer and portions of which may be delivered by counsel for the Seller and/or the Servicer, as appropriate, dated as of the Series Issuance Date, subject to customary qualifications, substantially to the collective effect that:

(A) the Issuer has the power and authority to execute and deliver the related Series Supplement and this Indenture and to issue the Transition Bonds being issued, each of the related Series Supplement and this Indenture and such Transition Bonds has been duly authorized, executed and delivered, and the Issuer is duly organized, validly existing as a limited liability company and in good standing under the laws of the jurisdiction of its organization and is in good standing in any jurisdiction where it is required to be qualified;

(B) no authorization, approval or consent of any governmental body is required for the valid issuance, authentication or delivery of such Transition Bonds, except for any such authorization, approval or consent as has already been obtained and such registrations as are required under the blue sky and securities laws of any State;

(C) the Transition Bonds being issued, when executed and authenticated in accordance with the provisions of this Indenture and delivered, will constitute valid and binding obligations of the Issuer entitled to the benefits of this Indenture and the related Series Supplement;

(D) the Financing Order with respect to the related Transition Bonds is final and non-appealable;

(E) this Indenture, the Sale Agreement, the Intercreditor Agreement and the Servicing Agreement are valid and binding agreements of the Issuer, enforceable against the Issuer in accordance with their respective terms except as such enforceability may be subject to bankruptcy, insolvency, moratorium, reorganization, receivership and other similar laws affecting the rights and remedies of creditors generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(F) the Sale Agreement is a valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms except as such enforceability may be subject to bankruptcy, insolvency, moratorium, reorganization, receivership and other similar laws affecting the rights and remedies of creditors generally and general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(G) the Servicing Agreement is a valid and binding agreement of the Servicer, enforceable against the Servicer in accordance with its terms

except as such enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting the rights and remedies of creditors generally and general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(H)

(1) the provisions of the Sale Agreement together with the related Bill of Sale are effective to create, in favor of the Issuer, a valid security interest (as such term is defined in Section 1-201 of the New Jersey UCC) in the Seller's rights in the Bondable Transition Property described in the Bill of Sale (the "Transferred Bondable Transition Property"), which security interest if characterized as a transfer for security will secure the amount paid by the Issuer for such Transferred Bondable Transition Property; it being noted that the term "security interest" for the purposes of this paragraph includes both a sale and a transfer for security of an account and no opinion will be expressed as to the proper characterization of the transfer of the Transferred Bondable Transition Property by the Seller to the Issuer;

(2) the security interest in favor of the Issuer in the Transferred Bondable Transition Property has been perfected; and

(3) no other security interest of any other creditor of the Seller is equal or prior to the security interest of the Issuer in the Transferred Bondable Transition Property;

(I) upon the giving of value by the Trustee to the Issuer with respect to the Collateral,

(1) this Indenture creates in favor of the Trustee, to secure payment of the Secured Obligations, a valid security interest in the rights of the Issuer in, to and under that portion of the Collateral subject to Article 9 of the New Jersey UCC, including the Transferred Bondable Transition Property (the "Article 9 Collateral"),

(2) upon filing of the related financing statements in accordance with the New Jersey UCC and the Delaware UCC, such security interest will be perfected, and

(3) based solely on a review of the search reports under the New Jersey UCC and the Delaware UCC, no other security interest of any other creditor of the Issuer is equal or prior to the security interest of the Trustee in the Article 9 Collateral;

(J) this Indenture has been duly qualified under the Trust Indenture Act and either the related Series Supplement for the Transition Bonds

applied for has been duly qualified under the Trust Indenture Act or no such qualification of such Series Supplement is necessary;

(K) all instruments furnished to the Trustee hereunder conform to the requirements of this Indenture and constitute all of the documents required to be delivered hereunder for the Trustee to authenticate and deliver the Transition Bonds applied for, and all conditions precedent provided for in this Indenture relating to the authentication and delivery of the Transition Bonds have been complied with;

(L) either

(1) the registration statement covering the Transition Bonds is effective under the Securities Act of 1933, as amended, and, to the best of such counsel's knowledge and information, no stop order suspending the effectiveness of such registration statement has been issued under the Securities Act of 1933, as amended, nor have proceedings therefor been instituted or threatened by the Commission or

(2) the Transition Bonds are exempt from the registration requirements under the Securities Act of 1933, as amended;

(M) this Indenture has been duly authorized, executed and delivered by the Issuer;

(N) the Sale Agreement and the Servicing Agreement have been duly authorized, executed and delivered by each of the parties thereto; and

(O) the Issuer is not now and, following the issuance of the Transition Bonds, will not be, required to be registered under the Investment Company Act of 1940, as amended.

(vi) *Issuer Officer's Certificate Regarding Accountant's Certificate or Opinion.* An Issuer Officer's Certificate, dated as of the Series Issuance Date, to the effect that the Issuer has received a letter addressed to the Issuer complying with the requirements of Section 11.01, of a firm of Independent registered public accountants of recognized national reputation to the effect that (A) such accountants are Independent with respect to the Issuer within the meaning of this Indenture and (B) with respect to the Collateral, they have made certain specified recalculations of calculations and information provided by the Issuer for the purpose of determining that, based on certain specified assumptions used in calculating the Transition Bond Charge with respect to the related Transferred Bondable Transition Property, as of the Series Issuance Date for such Series, after giving effect to the issuance of such Series and the application of the proceeds therefrom, and taking into account any amounts on deposit in the Reserve Subaccount, the Transition Bond Charge will be sufficient to pay (1) assumed Operating Expenses when incurred, plus (2) any amounts due under each Interest Rate Swap Agreement, if any when due, plus (3) the Overcollateralization Amount, if any, for such Series set forth in the Prospectus (as such term is defined in the Underwriting

Agreement), plus (4) interest on the Transition Bonds at their respective Interest Rates when due as set forth in the Prospectus, plus (5) principal of the Transition Bonds in accordance with the Expected Amortization Schedule set forth in the related Series Supplement, as of each Payment Date and found such calculations to be mathematically correct.

(vii) *Required Capital Amount.* Evidence satisfactory to the Trustee that the Required Capital Amount for such Series has been credited to the Capital Subaccount for such Series.

(viii) *Rating Agency Approval.* If there are any Outstanding Series or Classes, or any outstanding transition bonds issued by JCP&L Transition Funding LLC, including the Series 2002-A Transition Bonds issued on June 11, 2002 (the "Series 2002-A Transition Bonds"), written notice from each Rating Agency that such action will not result in a reduction or withdrawal of the then current rating or ratings by such Rating Agency of any such Outstanding Series or Class or outstanding Series 2002-A Transition Bonds.

(ix) *Bill of Sale.* If the issuance of an additional Series is a Financing Issuance, the Bill of Sale delivered to the Issuer under the Sale Agreement with respect to the Bondable Transition Property being purchased with the proceeds of such Financing Issuance.

(x) *Moneys for Refunding.* If the issuance of a Series is a Refunding Issuance, the amount of money necessary to pay premiums, if any, and the outstanding Principal balance of and interest on the Transition Bonds being refunded to the Redemption Date for the Transition Bonds being refunded upon redemption, such money to be deposited into a separate account with the Trustee.

SECTION 2.11 BOOK-ENTRY TRANSITION BONDS. Unless otherwise specified in the related Series Supplement, each Series, upon original issuance, will be issued in the form of a typewritten Transition Bond or Transition Bonds representing the Book-Entry Transition Bonds, to be delivered to the Trustee as custodian for The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Issuer. Such Transition Bond shall initially be registered on the Transition Bond Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Transition Bond Owner will receive a definitive Transition Bond representing such Transition Bond Owner's interest in such Transition Bond, except as provided in Section 2.13. Unless and until definitive, fully registered Transition Bonds (the "Definitive Transition Bonds") have been issued to Transition Bondholders pursuant to Section 2.13:

(a) the provisions of this Section 2.11 shall be in full force and effect;

(b) the Transition Bond Registrar and the Trustee shall be entitled to deal with the then acting Clearing Agency for all purposes of this Indenture (including the payment of Principal of and interest on the Transition Bonds and the giving of instructions or directions hereunder) as the sole Holder of the Transition Bonds, and shall have no obligation to the Transition Bond Owners;

(c) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Indenture, the provisions of this Section 2.11 shall control;

(d) the rights of Transition Bond Owners shall be exercised only through the then acting Clearing Agency and shall be limited to those established by law and agreements between such Transition Bond Owners and the Clearing Agency or the Clearing Agency Participants. Pursuant to the DTC Agreement, unless and until Definitive Transition Bonds are issued pursuant to Section 2.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of Principal of and interest on the Transition Bonds to such Clearing Agency Participants; and

(e) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders evidencing a specified percentage of the Outstanding Amount of the Transition Bonds or a Series or Class thereof, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Transition Bond Owners or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in the Transition Bonds or such Series or Class and has delivered such instructions to the Trustee.

**SECTION 2.12 NOTICES TO CLEARING AGENCY.** Whenever a notice or other communication to the Transition Bondholders is required under this Indenture, unless and until Definitive Transition Bonds shall have been issued to Transition Bond Owners pursuant to Section 2.13, the Trustee shall give all such notices and communications specified herein to be given to Transition Bondholders to the Clearing Agency, and shall have no obligation to the Transition Bond Owners.

**SECTION 2.13 DEFINITIVE TRANSITION BONDS.**

(a) If (i) the Issuer advises the Trustee in writing that the then acting Clearing Agency is no longer willing or able to properly discharge its responsibilities as depository with respect to any Series or Class and the Issuer is unable to locate a qualified successor, (ii) the Issuer, at its option, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency with respect to any Series or Class or (iii) after the occurrence of an Event of Default, Transition Bond Owners representing beneficial interests aggregating at least a majority of the Outstanding Amount of the Transition Bonds of all Series advise the Trustee through the Clearing Agency in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Transition Bond Owners, then the Clearing Agency shall notify all affected Transition Bond Owners and the Trustee of the occurrence of any such event and of the availability of Definitive Transition Bonds to affected Transition Bond Owners requesting the same. Upon surrender to the Trustee of the typewritten Transition Bond or Transition Bonds representing the Book-Entry Transition Bonds by the Clearing Agency, accompanied by registration instructions, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate the Definitive Transition Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the Transition Bond Registrar or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the

issuance of Definitive Transition Bonds, the Trustee shall recognize the Holders of the Definitive Transition Bonds as Transition Bondholders.

(b) Definitive Transition Bonds will be transferable and exchangeable at the offices of the Transition Bond Registrar.

### ARTICLE III

### COVENANTS

**SECTION 3.01 PAYMENT OF PRINCIPAL AND INTEREST.** The Issuer will duly and punctually pay, or will cause the Servicer to duly and punctually pay, the Principal of and interest on the Transition Bonds in accordance with the terms of the Transition Bonds and this Indenture; provided, however, that except on the Final Maturity Date or the Redemption Date for a Series or Class or upon the acceleration of the Transition Bonds pursuant to Section 5.02, the Issuer shall only be obligated to pay the Principal of such Transition Bonds on each Payment Date therefor to the extent moneys are available for such payment pursuant to Section 8.02. Amounts properly withheld under the Code by any Person from a payment to any Transition Bondholder of interest or Principal shall be considered as having been paid by the Issuer to such Transition Bondholder for all purposes of this Indenture.

### **SECTION 3.02 MAINTENANCE OF OFFICE OR AGENCY.**

(a) So long as any of the Transition Bonds remain Outstanding, the Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency where Transition Bonds may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Issuer in respect of the Transition Bonds and this Indenture may be served. The Issuer hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee and any agent appointed pursuant to clause (b) below of the location and identity, and of any change in the location or identity, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee and each such agent with the address thereof, such surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

(b) To the extent any of the Transition Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, (i) the Issuer will maintain in Luxembourg (A) an office and a transfer agent where Transition Bonds may be surrendered for registration of transfer or exchange, (B) an office and a listing agent where notices and demands to or upon the Issuer in respect of the Transition Bonds and this Indenture may be served, and (C) an office and a paying agent where payments in respect of the Transition Bonds may be made and (ii) any reference in this Indenture to the office or agency of the Issuer referenced in Section 3.02(a) shall also refer to such offices, and the transfer, listing and paying agents, of the Issuer in Luxembourg, as applicable. The Issuer shall give the Trustee and any other agent appointed under this Section 3.02(b) prompt written notice of the location and identity, and of any change in the location or identity, of any such office or agency.



SECTION 3.03 MONEY FOR PAYMENTS TO BE HELD IN TRUST.

(a) As provided in Section 8.02(a), all payments of Principal of and interest on the Transition Bonds that are to be made from amounts withdrawn from the Collection Account pursuant to Section 8.02(g) or Section 4.03 shall be made on behalf of the Issuer by the Trustee or by another Paying Agent, and no amounts so withdrawn from the Collection Account for payments of Transition Bonds shall be paid over to the Issuer except as provided in this Section 3.03 and in Section 8.02.

(b) The Issuer shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of Principal of or interest on the Transition Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Trustee written notice of any Default by the Issuer (or any other obligor upon the Transition Bonds) of which the Paying Agent has actual knowledge in the making of any payment required to be made with respect to the Transition Bonds;

(iii) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by the Paying Agent in trust for the payment of Transition Bonds if at any time the Paying Agent ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Transition Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

(c) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(d) Subject to applicable laws with respect to escheat of funds, any money held by the Trustee or any Paying Agent in trust for the payment of any amount of Principal of or interest on any Transition Bond and remaining unclaimed for two years after such amount has

become due and payable shall be discharged from such trust and be paid to the Issuer upon Issuer Order; and the Holder of such Transition Bond shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, and in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to Holders whose Transition Bonds have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Trustee or of any Paying Agent, at the last address of record for each such Holder).

**SECTION 3.04 EXISTENCE.** Subject to Section 3.10, the Issuer shall keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Transition Bonds, the other Basic Documents, the Collateral and each other instrument or agreement referenced herein or therein.

**SECTION 3.05 PROTECTION OF COLLATERAL.** (a) The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and all such filings, financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action necessary or advisable to:

- (i) maintain and preserve the Lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;
- (ii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;
- (iii) enforce any of the Collateral, including its rights under each Interest Rate Swap Agreement;
- (iv) preserve and defend title to the Collateral and the rights of the Trustee and the Transition Bondholders in the Collateral against the claims of all Persons and parties; and
- (v) pay any and all taxes levied or assessed upon all or any part of the Collateral.

(b) The Issuer hereby designates the Trustee as its agent and attorney-in-fact to execute any filing with the BPU, financing statement, continuation statement or other instrument required by the Trustee pursuant to this Section 3.05.

#### SECTION 3.06 OPINIONS AS TO COLLATERAL.

(a) Promptly after the execution and delivery of this Indenture, promptly after each Series Issuance Date, if any, and on or before May 31 in each calendar year, while any Series is outstanding, commencing May 31, 2007, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken pursuant to the New Jersey UCC and Delaware UCC so as to maintain the effectiveness of the Lien and security interest created by this Indenture and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain such Lien and security interest, and no other Lien or security interest is equal or prior to the Lien and security interest of the Trustee in the Collateral. Such Issuer Opinion of Counsel shall also describe the execution and filing of any filings pursuant to the New Jersey UCC and the Delaware UCC of financing statements, continuation statements and other instruments that will, in the opinion of such counsel, be required to maintain the Grant, Lien and security interest of this Indenture until May 31 in the following calendar year.

(b) Prior to the effectiveness of any amendment to the Sale Agreement or the Servicing Agreement, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel either (i) stating that, in the opinion of such counsel, all actions, with respect to filings, including filings pursuant to the New Jersey UCC and the Delaware UCC, have been taken that are necessary fully to maintain the Lien and security interest of the Issuer in the Transferred Bondable Transition Property and the Lien and security interest of the Trustee in the Transferred Bondable Transitional Property and the other Collateral, respectively, and reciting the details of such filings or referring to prior Issuer Opinions of Counsel in which such details are given, or (ii) stating that, in the opinion of such counsel, no such action shall be necessary to maintain such Liens and security interests.

#### SECTION 3.07 PERFORMANCE OF OBLIGATIONS.

(a) The Issuer (i) shall diligently pursue any and all actions to enforce its rights under each instrument or agreement included in the Collateral and (ii) shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in this Indenture, the Sale Agreement, the Servicing Agreement, any Interest Rate Swap Agreement or any other Basic Document.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Trustee in an Issuer Officer's Certificate shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer shall punctually perform and observe all of its obligations and agreements contained in the Sale Agreement, this Indenture and any supplements hereto, the Servicing Agreement, each Interest Rate Swap Agreement and in all other instruments and agreements included in the Collateral.

SECTION 3.08 NEGATIVE COVENANTS. The Issuer shall not:

(a) except as expressly permitted by this Indenture, the Sale Agreement, the Servicing Agreement, any Interest Rate Swap Agreement or any other Basic Document, sell, transfer, exchange or otherwise dispose of any of the Collateral, unless directed to do so by the Trustee in accordance with Article V;

(b) claim any credit on, or make any deduction from the Principal or premium, if any, or interest payable in respect of, the Transition Bonds (other than amounts properly withheld from such payments under the Code or pursuant to any Interest Rate Swap Agreement) or assert any claim against any present or former Transition Bondholder by reason of the payment of taxes levied or assessed upon the Issuer or any part of the Collateral; or

(c) (i) permit the validity or effectiveness of this Indenture to be impaired, or permit the Lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Transition Bonds under this Indenture except, as to each of the foregoing, as may be expressly permitted hereby, (ii) permit any Lien (other than the Lien created by this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof, any interest therein or the proceeds thereof or (iii) permit the Lien of this Indenture not to constitute a continuing valid first priority security interest in the Collateral.

SECTION 3.09 ANNUAL STATEMENT AS TO COMPLIANCE. The Issuer will deliver to the Trustee, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year 2006), an Issuer Officer's Certificate stating, as to the Manager signing such Issuer Officer's Certificate, that:

(a) a review of the activities of the Issuer during such year (or relevant portion thereof) and of performance under this Indenture has been made under such Manager's supervision; and

(b) to the best of such Manager's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such calendar year (or relevant portion thereof), or, if there has been a default in complying with any such condition or covenant, describing each such default and the nature and status thereof.

SECTION 3.10 ISSUER MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS. The Issuer shall not consolidate or merge with or into any other Person or sell, in one or a series of related transactions, substantially all of its assets to any other Person or dissolve, unless:

(a) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or to whom substantially all of such assets are sold shall be a Person

organized and existing under the laws of the United States of America or any State and shall expressly assume by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the Principal of and premium, if any, and interest on all Transition Bonds and the performance of every agreement and covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein and in the applicable Series Supplement or Series Supplements;

(b) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or to whom substantially all of such assets are sold shall expressly assume all obligations and succeed to all rights of the Issuer under the Sale Agreement, the Administration Agreement, the Servicing Agreement and each Interest Rate Swap Agreement pursuant to an assignment and assumption agreement executed and delivered to the Trustee, in form satisfactory to the Trustee;

(c) immediately after giving effect to such consolidation, merger or sale, no Default or Event of Default shall have occurred and be continuing;

(d) prior notice of such consolidation, merger or sale shall be given to the Rating Agencies and the then current ratings on any Outstanding Transition Bonds shall not be withdrawn or downgraded in connection with such consolidation, merger or sale;

(e) the Issuer shall have received an Issuer Opinion of Counsel (and shall have delivered copies thereof to the Trustee) to the effect that such consolidation, merger or sale (i) will not have any material adverse tax consequence to the Issuer or any Transition Bondholder, (ii) complies with this Indenture and all of the conditions precedent herein relating to such transaction and (iii) will result in the Trustee maintaining a continuing valid first priority perfected security interest in the Collateral;

(f) neither the Bondable Transition Property nor the Financing Order nor the rights of the Seller, the Servicer or the Issuer under the Competition Act or the Financing Order shall be impaired thereby; and

(g) any action as is necessary to maintain the Lien created by this Indenture shall have been taken.

#### SECTION 3.11 SUCCESSOR OR TRANSFEREE.

(a) Upon any consolidation or merger of the Issuer in accordance with Section 3.10, the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Upon any sale by the Issuer of substantially all of its assets in accordance with Section 3.10, JCP&L Transition Funding II LLC will be released from every covenant and agreement of this Indenture to be observed or performed on the part of the Issuer with respect to the Transition Bonds and from every covenant and agreement of the Sale Agreement, the Administration Agreement, the Servicing Agreement and each Interest Rate Swap Agreement to be observed or performed on the part of the Issuer.

**SECTION 3.12 NO OTHER BUSINESS.** The Issuer shall not engage in any business other than purchasing and owning Bondable Transition Property, issuing Transition Bonds from time to time, pledging its interest in the Collateral to the Trustee under this Indenture in order to secure the Transition Bonds and other Secured Obligations, entering into the Basic Documents and all other agreements relating to the Transition Bonds and performing its obligations thereunder and performing activities that are necessary, suitable or convenient to accomplish these purposes or are incidental thereto.

**SECTION 3.13 NO BORROWING.** The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the Transition Bonds and except as contemplated by the Basic Documents and the Underwriting Agreement.

**SECTION 3.14 GUARANTEES, LOANS, ADVANCES AND OTHER LIABILITIES.** Except as contemplated by the Basic Documents, the Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person, other than any Eligible Investments.

**SECTION 3.15 CAPITAL EXPENDITURES.** The Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty) other than Bondable Transition Property purchased from the Seller pursuant to, and in accordance with, the Sale Agreement.

**SECTION 3.16 RESTRICTED PAYMENTS.** The Issuer shall not, directly or indirectly, (a) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest in, or ownership security of, the Issuer, (b) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (c) set aside or otherwise segregate any amounts for any such purpose; provided, however, that if no Event of Default shall have occurred and be continuing or would otherwise result from such payment, the Issuer may make, or cause to be made, any such distributions to any owner of a limited liability company interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer using funds either distributed to the Issuer pursuant to Section 8.02(g) or which are not otherwise subject to the Lien of this Indenture, to the extent that such distributions would not cause the book value of the remaining equity in the Issuer to decline below 0.5% of the initial principal amount of all Series which remain outstanding. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with the Basic Documents.

**SECTION 3.17 NOTICE OF EVENTS OF DEFAULT.** The Issuer agrees to deliver to the Trustee and the Rating Agencies written notice in the form of an Issuer Officer's

Certificate of any Default or Event of Default hereunder or under any of the Basic Documents, its status and what action the Issuer is taking or proposes to take with respect thereto within five Business Days after the occurrence thereof.

**SECTION 3.18 INSPECTION.** The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited annually by Independent registered public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and Independent registered public accountants, all at such reasonable times and as often as may be reasonably requested. The Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

**SECTION 3.19 ADJUSTED OVERCOLLATERALIZATION BALANCE SCHEDULES.** Not later than the date on which a new Series is issued or any outstanding Series is redeemed or defeased, the Issuer shall deliver to the Trustee a replacement Schedule A to the related Series Supplement, adjusted to reflect such issuance, redemption or defeasance and setting forth the Scheduled Overcollateralization Level for each Payment Date with respect to each Series.

**SECTION 3.20 SALE AGREEMENT, INTERCREDITOR AGREEMENT, SERVICING AGREEMENT AND INTEREST RATE SWAP AGREEMENT COVENANTS.**

(a) The Issuer agrees to take all such lawful actions to enforce its rights under the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement and each Interest Rate Swap Agreement and to compel or secure the performance and observance by the Seller, the Servicer and each Swap Counterparty, of each of their respective obligations to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement and applicable Interest Rate Swap Agreement, respectively, in accordance with the terms thereof. So long as no Event of Default occurs and is continuing, but subject to Section 3.20(f), the Issuer may exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement and each Interest Rate Swap Agreement.

(b) If an Event of Default occurs and is continuing, the Trustee may, and, at the direction (which direction shall be in writing) of (i) with respect to the Sale Agreement, the Intercreditor Agreement or the Servicing Agreement, the Holders of a majority of the Outstanding Amount of the Transition Bonds of all Series, voting together as a single class, or (ii) with respect to any Interest Rate Swap Agreement, the Holders of that percentage of the Outstanding Amount of the Transition Bonds of the related Class specified in the related Series Supplement, shall exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Servicer or Swap Counterparty under or in connection with the Sale Agreement, the Servicing Agreement and related Interest Rate Swap Agreement, respectively,

including the right or power to take any action to compel or secure performance or observance by the Seller, the Servicer or Swap Counterparty of each of their respective obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Sale Agreement, the Servicing Agreement and Interest Rate Swap Agreement, and any right of the Issuer to take such action shall be suspended.

(c) With the consent of the Trustee, the Sale Agreement, the Intercreditor Agreement and the Servicing Agreement may be amended, provided notice of the substance of the amendment is given to each Rating Agency, at any time and from time to time, without the consent of the Transition Bondholders, or the counterparty under any Interest Rate Swap Agreement; provided, however, such amendment may not adversely affect in any material respect the interests of any Transition Bondholder or any counterparty under any Interest Rate Swap Agreement without the consent of the Holders of a majority of the Outstanding Amount of the Transition Bonds of each Series or Class and each such counterparty, in each case materially and adversely affected thereby. Further, with the written consent of the Trustee and the related counterparty under an Interest Rate Swap Agreement, such Interest Rate Swap Agreement may be amended, at any time and from time to time, so long as prior notice is provided to the Rating Agencies and the then current ratings on any Outstanding Transition Bonds are not withdrawn or downgraded by the Rating Agencies. However, such amendment may not adversely affect in any material respect the interest of any Transition Bondholder or counterparty under an Interest Rate Swap Agreement without the written consent of sixty-six and two thirds percent of the Holders of the Outstanding Amount of the Transition Bonds of each Series or Class and each such counterparty materially and adversely affected thereby.

(d) If the Issuer, the Seller, the Servicer or any Swap Counterparty proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination, or surrender of, the terms of the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement or any Interest Rate Swap Agreement, or waives timely performance or observance thereunder by the Seller, the Servicer or any Swap Counterparty, respectively, in each case in such a way as would materially and adversely affect the interests of any Class of any Series of Transition Bondholders or the counterparty under any Interest Rate Swap Agreement, the Issuer shall first notify the Rating Agencies of the proposed amendment, modification, supplement, waiver, termination or surrender. After sending such notification to the Rating Agencies, the Issuer shall notify the Trustee in writing and the Trustee shall notify the Transition Bondholders and each counterparty under an Interest Rate Swap Agreement, of the proposal. With respect to any such proposed action related to the Sale Agreement and the Servicing Agreement, the Trustee shall consent to such proposed action only (i) with the written consent of the Holders of a majority of the Outstanding Amount of the Transition Bonds of each Class of each Series and each counterparty under an Interest Rate Swap Agreement, in each case materially and adversely affected thereby and (ii) upon written notice of the substance of the proposed action to the Rating Agencies and the Rating Agencies' subsequent confirmation that the then current ratings on any Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies (except that with regard to Moody's and Fitch it will be sufficient to provide ten days' prior notice of any such action). With respect to any such proposed action related to any Interest Rate Swap Agreement, the Trustee shall consent to such proposed action only (y) with the written consent of the Holders representing sixty-six and two-thirds percent of the Outstanding Amount of the Transition Bonds of the related Series or



Class, and each counterparty under an Interest Rate Swap Agreement, in each case materially and adversely affected thereby and (z) upon written notice of the substance of the proposed action to the Rating Agencies and the Rating Agencies' subsequent confirmation that the then current ratings on any Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies (except that with regard to Moody's and Fitch it will be sufficient to provide ten days' prior notice of any such action). If any such amendment, modification, supplement, waiver, termination or surrender shall be so consented to by the Trustee or such Holders, the Issuer agrees to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as shall be necessary or appropriate in the circumstances. For so long as any of the Transition Bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice of such proposed action will be published by an agent to be appointed by the Issuer in an Authorized Newspaper promptly following its effectiveness.

(e) If the Issuer or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender in any material respect, or to agree to any material amendment, modification, waiver, supplement, termination or surrender of, the Transition Bond Charge Adjustment Process, the Issuer shall notify the Trustee in writing and the Trustee shall notify the Transition Bondholders of such proposal and the Trustee shall consent thereto only with the written consent of the Holders of a majority of the Outstanding Amount of the Transition Bonds of each Series, voting together as a single class, materially and adversely affected thereby; provided, notice of the substance of such proposal is provided to the Rating Agencies and the Rating Agencies subsequently confirm that the then current ratings on any Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies (except that with regard to Moody's and Fitch it will be sufficient to provide ten days' prior notice of any such action).

(f) Promptly following a default by either the Seller, the Servicer or any Swap Counterparty under the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement or related Interest Rate Swap Agreement, respectively, and at the Issuer's expense, the Issuer agrees to take all such lawful actions as the Trustee may request to compel or secure the performance and observance by the Seller, the Servicer or Swap Counterparty, as applicable, of each of their respective obligations to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement or related Interest Rate Swap Agreement in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement or Interest Rate Swap Agreement, respectively, to the extent and in the manner directed by the Trustee, including the transmission of notices of default on the part of the Seller, the Servicer or Swap Counterparty thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Seller, the Servicer or Swap Counterparty of each of their respective obligations under the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement and related Interest Rate Swap Agreement.

(g) If the Issuer shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement or an event of default, termination event or downgrade event under any Interest Rate Swap Agreement, the Issuer shall promptly give written notice thereof to

the Trustee and the Rating Agencies, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default or event of default.

(h) If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Bondable Transition Property or the Transition Bond Charge, the Issuer shall take all reasonable steps available to it to remedy such failure. The Issuer shall not take any action to terminate the Servicer's rights and powers under the Servicing Agreement following a Servicer Default without the prior written consent of the Trustee and of the Holders of a majority of the Outstanding Amount of the Transition Bonds of all Series.

(i) As promptly as possible after the giving of notice of termination to the Servicer and the Rating Agencies of the Servicer's rights and powers pursuant to Section 6.01 of the Servicing Agreement, the Trustee, with the written consent of the Holders evidencing not less than a majority of the Outstanding Amount of the Transition Bonds of all Series, may appoint a successor Servicer (the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Issuer and the Trustee. A Person shall qualify as a Successor Servicer only if such Person satisfies the requirements of Section 6.04 of the Servicing Agreement. In connection with any such appointment, the Issuer may make such arrangements for the compensation of such Successor Servicer as it and such Successor Servicer shall agree, subject to the limitations set forth below and in the Servicing Agreement, and, in accordance with Section 6.04 of the Servicing Agreement, the Issuer shall enter into an agreement with such Successor Servicer for the servicing of the Bondable Transition Property (such agreement to be in form and substance satisfactory to the Trustee).

(j) Upon termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Trustee shall promptly notify the Issuer, the Transition Bondholders and the Rating Agencies of such termination. As soon as a Successor Servicer is appointed, the Issuer shall notify the Trustee, the Transition Bondholders and the Rating Agencies in writing of such appointment, specifying in such notice the name and address of such Successor Servicer.

(k) The Issuer shall not take any action to terminate or assign a Swap Counterparty's rights and powers under any Interest Rate Swap Agreement or replace a Swap Counterparty following an event of default, termination event or downgrade event under an Interest Rate Swap Agreement without (i) the prior written consent of the Trustee and of the Holders of that percentage of the Outstanding Amount of the Transition Bonds, if any such consent is required under the related Series Supplement, of the related Series and Class, if any, specified in the related Series Supplement, and (ii) satisfying any other requirements set forth in the related Series Supplement and Interest Rate Swap Agreement.

(l) Upon termination or assignment of a Swap Counterparty's rights and powers, pursuant to an Interest Rate Swap Agreement, the Trustee shall promptly inform the Issuer, the Transition Bondholders of the related Class and the Rating Agencies of such termination or assignment. As soon as a replacement Swap Counterparty is appointed, the Issuer shall notify the Trustee, the Transition Bondholders of the related Class and the Rating Agencies in writing of such appointment, specifying in such notice the name and address of such replacement Swap Counterparty.

SECTION 3.21 TAXES. So long as any of the Transition Bonds are outstanding, the Issuer shall pay or cause to be paid all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Collateral.

#### ARTICLE IV

#### SATISFACTION AND DISCHARGE; DEFEASANCE

##### SECTION 4.01 SATISFACTION AND DISCHARGE OF INDENTURE; DEFEASANCE.

(a) The Transition Bonds of any Series, all moneys payable with respect thereto and this Indenture as it applies to such Series shall cease to be of further effect and the Lien hereunder shall be released with respect to such Series, interest shall cease to accrue on the Transition Bonds of such Series and the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Transition Bonds of such Series, when

(i) either

(A) all Transition Bonds of such Series theretofore authenticated and delivered (other than (1) Transition Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (2) Transition Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03(d)) have been delivered to the Trustee for cancellation; or

(B) the Expected Final Payment Date or Redemption Date has occurred with respect to all Transition Bonds of such Series not theretofore delivered to the Trustee for cancellation, and the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee cash, in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Transition Bonds not theretofore delivered to the Trustee on the Expected Final Payment Date or Redemption Date, as applicable, therefor;

(ii) the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer with respect to such Series; and

(iii) the Issuer has delivered to the Trustee an Issuer Officer's Certificate, an Issuer Opinion of Counsel and (if required by the TIA or the Trustee) an Independent Certificate from a firm of certified public accountants, each meeting the applicable requirements of Section 11.01 and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to Transition Bonds of such Series have been complied with.

(b) Subject to Sections 4.01(c) and 4.02, the Issuer at any time may terminate (i) all its obligations under this Indenture with respect to the Transition Bonds of any Series ("Legal Defeasance Option") or (ii) its obligations under Sections 3.04, 3.05, 3.06 (other than with respect to amounts in the Defeasance Subaccount), 3.07, 3.08, 3.09, 3.10, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, 3.19 and 3.20 and the operation of Section 5.01(d) ("Covenant Defeasance Option") with respect to any Series. The Issuer may exercise the Legal Defeasance Option with respect to any Series notwithstanding its prior exercise of the Covenant Defeasance Option with respect to such Series.

(c) If the Issuer exercises the Legal Defeasance Option with respect to any Series, the maturity of the Transition Bonds of such Series may not be (i) accelerated pursuant to Section 5.02 or (ii) except as provided in Section 4.02, redeemed. If the Issuer exercises the Covenant Defeasance Option with respect to any Series, the maturity of the Transition Bonds of such Series may not be accelerated because of an Event of Default specified in Section 5.01(d).

(d) Upon satisfaction of the conditions set forth herein to the exercise of the Legal Defeasance Option or the Covenant Defeasance Option with respect to any Series, the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

(e) Notwithstanding Sections 4.01(a) and 4.01(b), (i) the rights of registration of transfer and exchange, (ii) the rights of substitution of mutilated, destroyed, lost or stolen Transition Bonds, (iii) the rights of Transition Bondholders to receive payments of Principal and interest, but only from the amounts deposited with the Trustee for such payments, (iv) Sections 4.03 and 4.04, (v) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Section 6.07 and the obligations of the Trustee under Section 4.03) and (vi) the rights of Transition Bondholders under this Indenture with respect to the property deposited with the Trustee payable to all or any of them, shall survive until the Transition Bonds of the Series as to which this Indenture or certain obligations hereunder have been satisfied and discharged pursuant to Section 4.01(a) or 4.01(b) and have been paid in full. Thereafter, the obligations in Sections 6.07 and 4.04 with respect to such Series shall survive.

#### SECTION 4.02 CONDITIONS TO DEFEASANCE.

(a) The Issuer may exercise the Legal Defeasance Option or the Covenant Defeasance Option with respect to any Series only if:

(i) the Issuer irrevocably deposits or causes to be deposited in trust with the Trustee cash or U.S. Government Obligations maturing as to Principal and interest in such amounts and at such times as will insure the availability of cash for the payment of Principal of and premium, if any, and interest on such Series to the Expected Final Payment Date or Redemption Date therefor, as applicable, such deposit to be made in the Defeasance Subaccount for such Series;

(ii) the Issuer delivers to the Trustee a certificate from a nationally recognized firm of Independent registered public accountants expressing its opinion that

the payments of Principal and interest when due and without reinvestment of the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the Transition Bonds of such Series (A) subject to clause (B), Principal in accordance with the Expected Amortization Schedule therefor, (B) if such Series is to be redeemed, the Redemption Price therefor on the Redemption Date therefor and (C) interest when due;

(iii) in the case of the Legal Defeasance Option, ninety-five days pass after the deposit is made and during such ninety-five day period no Default specified in Section 5.01(e) or 5.01(f) occurs which is continuing at the end of the period; provided, however, that in determining whether a default under Section 5.01(e) has occurred, the requirement that the decree or order shall remain unstayed and in effect for ninety days shall be disregarded;

(iv) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(v) in the case of the Legal Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel stating that (A) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (B) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Transition Bonds of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise of such Legal Defeasance Option and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(vi) in the case of the Covenant Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel to the effect that the Holders of the Transition Bonds of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise of such Covenant Defeasance Option and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; and

(vii) the Issuer delivers to the Trustee an Issuer Officer's Certificate and an Issuer Opinion of Counsel, each stating that all conditions precedent to the satisfaction and discharge of the Transition Bonds of such Series to the extent contemplated by this Article IV have been complied with.

(b) Notwithstanding any other provision of this Section 4.02 to the contrary, no delivery of cash or U.S. Government Obligations to the Trustee under this Section 4.02 shall terminate any obligations of the Issuer under this Indenture with respect to any Transition Bonds which are to be redeemed prior to the Expected Final Payment Date therefor until such Transition Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Transition Bonds may be redeemed in accordance with the provisions

of this Indenture and proper notice of such redemption shall have been given in accordance with the provisions of this Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed herein, notice of redemption of such Series.

**SECTION 4.03 APPLICATION OF TRUST MONEY.** All moneys or U.S. Government Obligations deposited with the Trustee pursuant to Sections 4.01 or 4.02 with respect to any Series shall be held in trust in the Defeasance Subaccount for such Series and applied by the Trustee, in accordance with the provisions of the Transition Bonds and this Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of the particular Transition Bonds for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for Principal, premium, if any, and interest. Such moneys shall be segregated and held apart solely for paying such Transition Bonds and such Transition Bonds shall not be entitled to any amounts on deposit in the Collection Account other than amounts on deposit in the Defeasance Subaccount for such Transition Bonds.

**SECTION 4.04 REPAYMENT OF MONEYS HELD BY PAYING AGENT.** In connection with the satisfaction and discharge of this Indenture, or the exercise of the Covenant Defeasance Option or the Legal Defeasance Option with respect to the Transition Bonds of any Series, all moneys then held by any Paying Agent other than the Trustee under the provisions of this Indenture or the Intercreditor Agreement with respect to such Transition Bonds shall, upon demand of the Issuer, be paid to the Trustee to be held and applied according to Section 3.03 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

## ARTICLE V

### REMEDIES

**SECTION 5.01 EVENTS OF DEFAULT.** "Event of Default," wherever used herein, means any one or more of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on any Transition Bond when the same becomes due and payable and the continuation of such default for five Business Days;
- (b) default in the payment of the then unpaid Principal of any Transition Bond of any Series or Class on the Final Maturity Date therefor;
- (c) default in the payment of the Redemption Price for any Transition Bond on the Redemption Date therefor;
- (d) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than a covenant or agreement, a default in the observance or performance of which is specifically dealt with in clause (a), (b) or (c) above), or any material

representation or warranty of the Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when made, and any such default shall continue or not be cured, for a period of thirty days after the earlier of (i) the date that there shall have been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of at least twenty-five percent of the Outstanding Amount of the Transition Bonds of any Series or Class, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (ii) the date the Issuer has knowledge of the default;

(e) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the Collateral in an involuntary case or proceeding 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 the Issuer or for any substantial part of the Collateral, or ordering the winding-up or liquidation of the Issuer's affairs; and such decree or order shall remain unstayed and in effect for a period of ninety consecutive days;

(f) the commencement by the Issuer of a voluntary case or proceeding under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Issuer or for any substantial part of the Collateral, or the making by the Issuer of any assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing; or

(g) any act or failure to act by the State of New Jersey or any of its agencies (including the BPU), officers or employees that violates or is not in accordance with the pledge and agreement of the State of New Jersey in Section 17(a) of the Competition Act (N.J.S.A. 48:3-66(a)).

## SECTION 5.02 ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT

(a) If an Event of Default (other than an Event of Default under Section 5.01(g)) occurs and is continuing, then and in every such case either the Trustee or the Holders of not less than a majority of the Outstanding Amount of the Transition Bonds of all Series, voting together as a single class, may, but need not, declare all the Transition Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee if given by Transition Bondholders), and upon any such declaration the unpaid Principal amount of the Transition Bonds of all Series, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

(b) At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Article V, the Holders of not less than a majority of the Outstanding

Amount of the Transition Bonds of all Series, voting together as a single class, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences, provided that:

(i) the Issuer has paid or deposited with the Trustee, for deposit in the General Subaccount of the Collection Account, a sum sufficient to pay:

(A) all payments of Principal of and interest on all Transition Bonds of all Series and all other amounts that would then be due hereunder or upon such Transition Bonds if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Transition Bonds of all Series that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12.

(c) No such rescission shall affect any subsequent Default or impair any right consequent thereto.

#### SECTION 5.03 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

(a) The Issuer covenants that if (i) Default is made in the payment of any interest on any Transition Bond when such interest becomes due and payable and such Default continues for five Business Days, (ii) Default is made in the payment of the then unpaid Principal of any Transition Bond on the Final Maturity Date therefor or (iii) Default is made in the payment of the Redemption Price or for any Transition Bond on the Redemption Date therefor, the Issuer shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Transition Bonds of such Series, such amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel and the whole amount then due and payable on such Transition Bonds for Principal and interest, with interest upon the overdue payment of principal and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the respective Interest Rate of such Series or the applicable Class of such Series.

(b) In case the Issuer shall fail forthwith to pay the amounts specified in clause (a) above upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Transition Bonds and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Transition Bonds, wherever situated, the moneys adjudged or decreed to be payable.



(c) If an Event of Default occurs and is continuing, the Trustee may, as more particularly provided in Section 5.04, in its discretion, proceed to protect and enforce its rights and the rights of the Transition Bondholders, by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law including foreclosing or otherwise enforcing the Lien on the Bondable Transition Property securing the Transition Bonds. The Trustee shall request a court of competent jurisdiction to permit the BPU to issue and enforce any order for sequestration of revenues arising with respect to such Bondable Transition Property.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Transition Bonds or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Transition Bonds, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the Principal of any Transition Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of Principal and interest owing and unpaid in respect of the Transition Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Transition Bondholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Transition Bondholders and of the Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Holders allowed in any judicial proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Transition Bondholders to make payments to the Trustee, and,

in the event that the Trustee shall consent to the making of payments directly to such Transition Bondholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Transition Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Transition Bonds or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Transition Bondholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Transition Bonds, may be enforced by the Trustee without the possession of any of the Transition Bonds or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Transition Bonds.

(g) In any Proceedings brought by the Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Transition Bonds, and it shall not be necessary to make any Transition Bondholder a party to any such Proceedings.

#### SECTION 5.04 REMEDIES.

(a) If an Event of Default other than Section 5.01(g) occurs and is continuing, the Trustee may do one or more of the following (subject to Section 5.05):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Transition Bonds or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Transition Bonds moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the New Jersey UCC, the Delaware UCC or the Competition Act or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Holders of the Transition Bonds;

(iv) sell the Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law; and

(v) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Administrator, the Servicer or any Swap Counterparty under or in connection with the Sale Agreement, the Intercreditor Agreement, the Administration Agreement, the Servicing Agreement or the related Interest Rate Swap Agreement, respectively, as provided in Section 3.20(b);

provided, however, that the Trustee may not sell or otherwise liquidate any portion of the Collateral following an Event of Default, other than an Event of Default described in Section 5.01(a), 5.01(b) or 5.01(c), with respect to any Series unless (A) the Holders of one hundred percent of the Outstanding Amount of the Transition Bonds of all Series consent in writing thereto, (B) the proceeds of such sale or liquidation distributable to the Transition Bondholders of all Series are sufficient to discharge in full all amounts then due and unpaid upon such Transition Bonds for Principal and premium, if any, and accrued and unpaid interest or (C) the Trustee determines, after having been advised in writing by the Servicer, that the Collateral will not continue to provide sufficient funds for all payments on the Transition Bonds of all Series as they would have become due if the Transition Bonds had not been declared due and payable and the Trustee obtains the written consent of Holders of at least sixty-six and two-thirds percent of the Outstanding Amount of the Transition Bonds of all Series. In determining such sufficiency or insufficiency with respect to clauses (B) and (C), the Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or certified public accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If an Event of Default under Section 5.01(g) occurs and is continuing, the Trustee, for the benefit of the Holders, shall be entitled and empowered to the extent permitted by applicable law to institute or participate in Proceedings reasonably necessary to compel performance of or to enforce the pledge and agreement of the State of New Jersey in Section 17(a) of the Competition Act (N.J.S.A. 48:3-66(a)) and to collect any monetary damages incurred by the Holders or the Trustee as a result of any such Event of Default, and may prosecute any such Proceeding to final judgment or decree. Such remedy shall be the only remedy that the Trustee may exercise if the only Event of Default that has occurred and is continuing is an Event of Default under Section 5.01(g).

#### SECTION 5.05 OPTIONAL PRESERVATION OF THE COLLATERAL.

If the Transition Bonds have been declared to be due and payable under Section 5.02 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Trustee may, but need not, elect, as provided in Section 5.11(c), to maintain possession of the Collateral and not sell or liquidate the same. It is the desire of the parties hereto and the Transition Bondholders that there be at all times sufficient funds for the payment of Principal of and interest on the Transition Bonds, and the Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral or sell or liquidate the same. In determining whether to maintain possession of the Collateral or sell or liquidate the same, the Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or certified public accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

SECTION 5.06      LIMITATION OF PROCEEDINGS.

(a) No Holder of any Transition Bond of any Series shall have any right to institute any Proceeding, judicial or otherwise, to avail itself of any remedies provided in the Competition Act or to avail itself of the right to foreclose on the Bondable Transition Property or otherwise enforce the Lien on the Bondable Transition Property, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(ii) the Holders of not less than twenty-five percent of the Outstanding Amount of the Transition Bonds of all Series have made written request of the Trustee to institute such Proceeding in respect of such Event of Default in its own name as Trustee hereunder;

(iii) such Holder or Holders have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in complying with such request;

(iv) the Trustee for sixty days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(v) no direction inconsistent with such written request has been given to the Trustee during such sixty day period by the Holders of a majority of the Outstanding Amount of the Transition Bonds of all Series;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

(b) In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders, each representing less than a majority of the Outstanding Amount of the Transition Bonds of all Series, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

SECTION 5.07      UNCONDITIONAL RIGHTS OF TRANSITION  
BONDHOLDERS TO RECEIVE PRINCIPAL AND INTEREST. Notwithstanding any other provisions in this Indenture, the Holder of any Transition Bond shall have the right, which is absolute and unconditional, and shall not be impaired without the consent of each such Holder, (a) to receive payment of (i) the interest, if any, on such Transition Bond on or after the due dates thereof expressed in such Transition Bond or in this Indenture, (ii) the unpaid Principal, if any, of such Transition Bonds on or after the Final Maturity Date therefor or (iii) in the case of redemption, the unpaid Principal, if any, and interest, if any, on such Transition Bond on or after

the Redemption Date therefor and (b) to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

**SECTION 5.08 RESTORATION OF RIGHTS AND REMEDIES.** If the Trustee or any Transition Bondholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Transition Bondholder, then and in every such case the Issuer, the Trustee and the Transition Bondholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Transition Bondholders shall continue as though no such Proceeding had been instituted.

**SECTION 5.09 RIGHTS AND REMEDIES CUMULATIVE.** No right or remedy herein conferred upon or reserved to the Trustee or to the Transition Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**SECTION 5.10 DELAY OR OMISSION NOT A WAIVER.** No delay or omission of the Trustee or any Transition Bondholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Transition Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Transition Bondholders, as the case may be.

**SECTION 5.11 CONTROL BY A MAJORITY OF TRANSITION BONDHOLDERS.** The Holders of a majority of the Outstanding Amount of the Transition Bonds of all Series (or, if less than all Series or Classes are affected, the affected Series or Class or Classes), voting together as a single class, shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Transition Bonds of such Series or Class or Classes or exercising any trust or power conferred on the Trustee with respect to such Series or Class or Classes; provided that

- (a) such direction shall not be in conflict with any rule of law or with this Indenture;
- (b) subject to the express terms of Section 5.04, any direction to the Trustee to sell or liquidate the Collateral shall be by the Holders of not less than one hundred percent of the Outstanding Amount of the Transition Bonds of all Series;
- (c) if the conditions set forth in Section 5.05 have been satisfied and the Trustee elects to retain the Collateral pursuant to such Section 5.05 and elects not to sell or liquidate the same, then any direction to the Trustee by Holders of less than one hundred percent

of the Outstanding Amount of the Transition Bonds of all Series to sell or liquidate the Collateral shall be of no force and effect; and

(d) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 6.01, the Trustee need not take any action that it determines might involve it in liability for which it reasonably believes it will not be indemnified to its reasonable satisfaction against the costs, expenses and liabilities which might be incurred by it in complying with such request. The Trustee also need not take any action that it determines might materially and adversely affect the rights of any Transition Bondholders not consenting to such action.

SECTION 5.12 WAIVER OF PAST DEFAULTS. (a) Prior to the declaration of the acceleration of the maturity of the Transition Bonds of all Series as provided in Section 5.02, the Holders of not less than a majority of the Outstanding Amount of the Transition Bonds of all Series, voting together as a single class, may waive any past Default or Event of Default and its consequences except a Default (i) in payment of Principal of and premium, if any, or interest on any of the Transition Bonds or (ii) in respect of a covenant or provision hereof which cannot be modified or amended without the waiver or consent of the Holder of each Transition Bond of all Series or Classes affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Transition Bonds shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

(b) Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 5.13 UNDERTAKING FOR COSTS. All parties to this Indenture agree, and each Holder of any Transition Bond by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, however, the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Trustee, (b) any suit instituted by any Transition Bondholder, or group of Transition Bondholders, in each case holding in the aggregate more than ten percent of the Outstanding Amount of the Transition Bonds of a Series or (c) any suit instituted by any Transition Bondholder for the enforcement of the payment of (i) interest on any Transition Bond on or after the due dates expressed in such Transition Bond and in this Indenture, (ii) the unpaid Principal, if any, of any Transition Bond on or after the Final Maturity Date therefor or (iii) in

the case of redemption, the unpaid Principal of and interest on any Transition Bond on or after the Redemption Date therefor.

**SECTION 5.14 WAIVER OF STAY OR EXTENSION LAWS.** The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture. The Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

**SECTION 5.15 ACTION ON TRANSITION BONDS.** The Trustee's right to seek and recover judgment on the Transition Bonds or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Trustee or the Transition Bondholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer.

**SECTION 5.16 APPLICATION OF TRUST MONEY.** Any money collected by the Trustee pursuant to this Article V shall be applied in accordance with Section 8.02 hereof.

## ARTICLE VI

### THE TRUSTEE

#### SECTION 6.01 DUTIES AND LIABILITIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this clause (c) does not limit the effect of clause (b) of this Section 6.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it hereunder.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to clauses (a), (b) and (c) of this Section 6.01.

(e) The Trustee shall not be liable for interest on any money received by it except as provided in this Indenture.

(f) Money held in trust by the Trustee need not be segregated from other funds held by the Trustee except to the extent required by law or the terms of this Indenture, the Sale Agreement, the Intercreditor Agreement or the Servicing Agreement or any Interest Rate Swap Agreement.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayments of such funds or indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01 and to the provisions of the TIA.

(i) Under no circumstances shall the Trustee be liable for any indebtedness of the Issuer, the Servicer, the Seller or any Swap Counterparty evidenced by or arising under the Transition Bonds or any Basic Document.

(j) If so requested by the Issuer, or by the Servicer on behalf of the Issuer, for the purpose of satisfying the Issuer's reporting obligations under the Exchange Act with respect to any class of Transition Bonds, the Trustee shall (i) notify the Issuer in writing of (A) any material litigation or governmental proceedings pending against the Trustee and (B) any affiliations or relationships that develop following the Closing Date between the Trustee and any party to any of the Basic Documents, and (ii) provide to the Issuer a written description of such proceedings, affiliations or relationships.

(k) On or before March 15 of each calendar year, if, during the prior year, the Issuer was obligated to file reports under the Exchange Act, the Trustee shall deliver to the Issuer a report (in form and substance reasonably satisfactory to the Issuer) regarding the Trustee's assessment of compliance with the Servicing Criteria during the immediately preceding calendar year, as required under Rules 13a-18 and 15d-18 of the Exchange Act and Item 1122 of



Regulation AB. Such report shall be addressed to the Issuer and signed by an authorized officer of the Trustee, and shall address each of the Servicing Criteria. The Trustee shall also deliver to the Issuer a report of a registered public accounting firm reasonably acceptable to the Issuer that attests to, and reports on, the assessment of compliance made by the Trustee and delivered pursuant to the first sentence of this Section 6.01(k). Such attestation shall be in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act.

#### SECTION 6.02 RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in any such document.

(b) Before the Trustee acts or refrains from acting, it may require an Issuer Officer's Certificate or an Issuer Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Issuer Officer's Certificate or an Issuer Opinion of Counsel.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, a custodian or nominee, and the Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent, attorney, custodian or nominee appointed with due care by it hereunder.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Trustee may consult with counsel, and the advice or opinion of such counsel with respect to legal matters relating to this Indenture and the Transition Bonds shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 6.03 INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Transition Bonds and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Transition Bond Registrar, co-registrar or co-paying agent, or agent appointed pursuant to Section 3.02(b) may do the same with like rights; provided, however, the Trustee must comply with Sections 6.11 and 6.12.

SECTION 6.04 TRUSTEE'S DISCLAIMER. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Transition Bonds. The Trustee shall not be accountable for the Issuer's use of the proceeds from the Transition Bonds, and the Trustee shall not be responsible for any statement of the Issuer in this Indenture or in any document issued in connection with the sale of the Transition Bonds or in the Transition Bonds other than the Trustee's certificate of authentication. The Trustee shall not be responsible for the form, character, genuineness, sufficiency, value or

validity of any of the Collateral, or for or in respect of the validity or sufficiency of the Transition Bonds (other than the certificate of authentication for the Transition Bonds) or the Basic Documents and the Trustee shall in no event assume or incur any liability, duty or obligation to any Holder of a Transition Bond, other than as expressly provided for in this Indenture. The Trustee shall not be liable for the default or misconduct of the Issuer, the Seller, the Servicer or the Member or any Manager of the Issuer under any Basic Document or otherwise, or the default or misconduct of any counterparty under any Interest Rate Swap Agreement, and the Trustee shall have no obligation or liability to perform the obligations of the Issuer.

**SECTION 6.05 NOTICE OF DEFAULTS.** If a Default occurs and is continuing with respect to any Class or Series and if it is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to each Rating Agency and to each Holder of all Series notice of the Default within ninety days after it occurs. Except in the case of a Default in payment of Principal of or interest on any Transition Bond, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Transition Bondholders.

**SECTION 6.06 REPORTS BY TRUSTEE TO HOLDERS.**

(a) The Trustee shall deliver to each Holder such information as may be required to enable such Holder to prepare its Federal and state income tax returns.

(b) With respect to each Series and Class, on or prior to each Payment Date therefor, the Trustee shall deliver a statement prepared by the Trustee to each Holder of such Series and Class which shall include (to the extent applicable) the following information (and any other information so specified in the Series Supplement for such Series) as to the Transition Bonds of such Series and Class with respect to such Payment Date or the period since the previous Payment Date, as applicable:

(i) the amount paid to Holders of the Transition Bonds of such Series and Class in respect of Principal, such amount to be expressed as a dollar amount per thousand;

(ii) the amount paid to Holders of the Transition Bonds of such Series and Class in respect of interest, such amount to be expressed as a dollar amount per thousand;

(iii) the Transition Bond Balance, after giving effect to the payments to be made on such Payment Date, and the Projected Transition Bond Balance, in each case for such Series and Class and as of such Payment Date;

(iv) the amount on deposit in the Overcollateralization Subaccount for such Series and the Scheduled Overcollateralization Level for such Series as of such Payment Date;

(v) the amount on deposit in the Series Capital Subaccount for such Series and the Required Capital Amount for that Series as of such Payment Date;

- (vi) the amount, if any, on deposit in the Reserve Subaccount as of such Payment Date;
- (vii) the amount to be paid to each Swap Counterparty;
- (viii) the amounts paid to the Trustee since the preceding Payment Date;
- (ix) the amount paid to or withheld by the Servicer since the preceding Payment Date; and
- (x) the amount of any other transfers and payments made pursuant to this Indenture.

(c) If any Transition Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the listing agent shall arrange for publication in an Authorized Newspaper that such statement shall be available with the Issuer's listing agent in Luxembourg appointed pursuant to Section 3.02(b).

(d) The Trustee's responsibility for disbursing the information described in clause (b) above to Holders is limited to the availability, timeliness and accuracy of the information provided by the Servicer pursuant to Section 3.05 and Annex 1 of the Servicing Agreement.

#### SECTION 6.07 COMPENSATION AND INDEMNITY.

(a) The Issuer shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. Notwithstanding the Issuer's obligations set forth above in Section 6.07(a), the Issuer shall indemnify and hold harmless the Trustee and its officers, directors, employees and agents, to the extent permitted by law, from and against any and all costs, damages, expenses, losses, taxes (other than taxes imposed on the Trustee in connection with any fees earned in accordance with this Indenture) liabilities or other amounts whatsoever (including reasonable counsel fees and expenses) incurred by the Trustee in connection with the administration of this trust, the enforcement of this trust and all of the Trustee's rights, powers and duties under this Indenture and the performance by the Trustee of the duties and obligations of the Trustee under or pursuant to this Indenture and any Series Supplement. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer shall not relieve the Issuer of its obligations hereunder.

(b) The Issuer shall defend such claim and the Trustee may have separate counsel and the Issuer shall pay the fees and expenses of such counsel. The Issuer need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee (i) through the Trustee's own willful misconduct, negligence or bad faith or (ii) to the extent the

Trustee was reimbursed for or indemnified against any such loss, liability or expense by the Seller pursuant to the Sale Agreement or by the Servicer pursuant to the Servicing Agreement.

(c) When the Trustee incurs expenses after the occurrence of an Event of Default specified in Section 5.01(e) or 5.01(f) with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or similar law. The obligations of the Issuer under this Section 6.07 shall survive the termination of this Indenture and the earlier resignation or removal of the Trustee. To secure the Issuer's payment obligations in this Section 6.07, the Trustee shall have a Lien prior to the Transition Bonds on all money or property held or collected by the Trustee, in its capacity as Trustee, except that held in trust to pay Principal and interest on particular Transition Bonds in accordance with the priorities established in Section 8.02.

#### SECTION 6.08 REPLACEMENT OF TRUSTEE.

(a) The Trustee may resign at any time upon thirty days' prior written notice to the Issuer. The Issuer may remove the Trustee with or without cause at any time, with prior notice to the Rating Agencies, upon thirty days' prior written notice to the Trustee, and shall remove the Trustee if:

- (i) the Trustee fails to comply with Section 6.11;
- (ii) the Trustee is adjudged a bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the "Retiring Trustee"), the Issuer shall promptly appoint a successor Trustee.

(c) The Holders of a majority in Outstanding Amount of the Transition Bonds of all Series, voting together as a single class, may remove the Trustee by so notifying the Issuer and the Trustee and such Holders may appoint a successor Trustee.

(d) A successor Trustee shall deliver a written acceptance of its appointment to the Retiring Trustee and to the Issuer. Thereupon the resignation or removal of the Retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture and the Intercreditor Agreement. No resignation or removal of the Trustee pursuant to this Section 6.08 shall become effective until the acceptance of the appointment by a successor Trustee. The successor Trustee shall mail a notice of its succession to the Transition Bondholders. The Retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

(e) If a successor Trustee does not take office within thirty days after the Retiring Trustee resigns or is removed, the Retiring Trustee, the Issuer or the Holders of a majority in Outstanding Amount of the Transition Bonds of all Series may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) If the Trustee fails to comply with Section 6.11, any Transition Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(g) Notwithstanding the replacement of the Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the Retiring Trustee.

#### SECTION 6.09 SUCCESSOR TRUSTEE BY MERGER.

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association shall, without any further act, be the successor Trustee. Notice of any such event shall be promptly given to each Rating Agency by the successor Trustee.

(b) In case at the time such successor or successors by merger, conversion, consolidation or transfer shall succeed to the trusts created by this Indenture any of the Transition Bonds shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any Retiring Trustee, and deliver such Transition Bonds so authenticated; and in case at that time any of the Transition Bonds shall not have been authenticated, any successor to the Trustee may authenticate such Transition Bonds either in the name of any Retiring Trustee hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force and effect granted by the Transition Bonds or by this Indenture and this force and effect shall be equal to any certificate issued by the Trustee.

#### SECTION 6.10 APPOINTMENT OF CO-TRUSTEE OR SEPARATE TRUSTEE.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Collateral, and to vest in such Person or Persons, in such capacity and for the benefit of the Transition Bondholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to the Transition Bondholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08. Notice of any such appointment shall be promptly given to each Rating Agency by the Trustee.

(b) Every co-trustee and separate trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such co-trustee or separate trustee jointly (it being understood that such co-trustee or separate trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such co-trustee or separate trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any co-trustee or separate trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then co-trustees and separate trustees, as effectively as if given to each of them. Every instrument appointing any co-trustee or separate trustee shall refer to this Indenture and the conditions of this Article VI. Each co-trustee and separate trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any co-trustee or separate trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

**SECTION 6.11 ELIGIBILITY; DISQUALIFICATION.** The Trustee shall at all times satisfy the requirements of TIA Section 310(a) and Section 26(a)(i) of the Investment Company Act of 1940, as amended. The Trustee shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and it shall have a long term debt rating of "BBB-" or better by Standard & Poor's, "Baa3" or better by Moody's and "BBB-" or better by Fitch. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met. If at any time the

Trustee shall cease to be eligible in accordance with the provisions of this section, it shall resign or be removed immediately in the manner and with the effect specified in Section 6.08.

**SECTION 6.12 PREFERENTIAL COLLECTION OF CLAIMS AGAINST THE ISSUER.** The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

**SECTION 6.13 REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.** The Trustee hereby represents and warrants that:

(a) the Trustee is a banking corporation validly existing in good standing under the laws of the State of New York; and

(b) the Trustee has full power, authority and legal right to execute, deliver and perform this Indenture and the Basic Documents to which the Trustee is a party and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and such Basic Documents.

**SECTION 6.14 RIGHT OF TRUSTEE IN CAPACITY OF REGISTRAR OR PAYING AGENT.** In the event that the Trustee is also acting in the capacity of Paying Agent or Transition Bond Registrar hereunder, the rights, protections, immunities and indemnities afforded to the Trustee shall also be afforded to the Trustee in its capacity as Paying Agent or Transition Bond Registrar.

## ARTICLE VII

### TRANSITION BONDHOLDERS' LISTS AND REPORTS

**SECTION 7.01 ISSUER TO FURNISH TRUSTEE NAMES AND ADDRESSES OF TRANSITION BONDHOLDERS.** The Issuer shall furnish or cause to be furnished to the Trustee (a) not more than five days after the earlier of (i) each Record Date with respect to each Series and (ii) three months after the last Record Date with respect to each Series, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of such Series as of such Record Date, (b) at such other times as the Trustee may request in writing, within thirty days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than ten days prior to the time such list is furnished; provided, however, that so long as the Trustee is the Transition Bond Registrar, no such list shall be required to be furnished.

**SECTION 7.02 PRESERVATION OF INFORMATION; COMMUNICATIONS TO TRANSITION BONDHOLDERS.**

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Trustee in its capacity as Transition Bond Registrar. The Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

(b) Transition Bondholders may communicate with other Transition Bondholders pursuant to Section 312(b) of the TIA, with respect to their rights under this Indenture or under the Transition Bonds.

(c) The Issuer, the Trustee and the Transition Bond Registrar shall have the protection of Section 312(c) of the TIA.

#### SECTION 7.03 REPORTS BY ISSUER.

(a) The Issuer shall:

(i) file with the Trustee within fifteen days after the Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(iii) supply to the Trustee (and the Trustee shall transmit by mail to all Transition Bondholders described in TIA Section 313(c)), such summaries of any information, documents and reports required to be filed by the Issuer pursuant to clauses (i) and (ii) of this Section 7.03(a) as may be required by rules and regulations prescribed from time to time by the Commission.

(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year.

#### SECTION 7.04 REPORTS BY TRUSTEE.

(a) If required by TIA Section 313(a), within sixty days after the end of each fiscal year of the Issuer, commencing with the year after the issuance of the Transition Bonds of each Series, the Trustee shall mail to each Holder of such Series as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b); provided, however, that the initial report so issued shall be delivered not more than twelve months after the initial issuance of each Series.

(b) A copy of each TIA Section 313(a) report at the time of its mailing to Transition Bondholders shall be filed by the Trustee with the Commission and each stock exchange, if any, on which the Transition Bonds are listed (to the extent required by the rules of such exchange or exchanges). The Issuer shall notify the Trustee if and when the Transition Bonds are listed on any stock exchange.



**SECTION 7.05 PROVISION OF SERVICER REPORTS.** Upon the written request of any Transition Bondholder to the Trustee addressed to the Corporate Trust Office, the Trustee shall provide such Transition Bondholder with a copy of the Officer's Certificate referred to in Section 3.06 of the Servicing Agreement and the Annual Accountant's Report referred to in Section 3.07 of the Servicing Agreement.

## ARTICLE VIII

### ACCOUNTS, DISBURSEMENTS AND RELEASES

**SECTION 8.01 COLLECTION OF MONEY.** Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

### SECTION 8.02 COLLECTION ACCOUNT.

(a) (i) On or prior to the Series Issuance Date for the first Series issued hereunder, the Issuer shall open, at the Trustee's Corporate Trust Office, or at another Eligible Institution, one or more segregated non-interest bearing trust accounts in the Trustee's name for the benefit of the Holders (collectively, the "Collection Account"). The Collection Account shall initially be divided into subaccounts, which need not be separate bank accounts: a general subaccount (the "General Subaccount"), unless otherwise provided in the related Series Supplement, an overcollateralization subaccount for each Series (each, an "Overcollateralization Subaccount" or the "Series Overcollateralization Subaccount"), a capital subaccount for each Series (each, a "Capital Subaccount" or the "Series Capital Subaccount"), a reserve subaccount (the "Reserve Subaccount"), a series subaccount for each Series (each, a "Series Subaccount") and a class subaccount for any Class of any Series which has a floating rate of interest as specified in any Series Supplement (each, a "Class Subaccount"). If so provided in any Series Supplement, the Series Capital Subaccount for the related Series may be divided into separate subaccounts bearing the designations specified in such Series Supplement for the purpose of tracing deposits to and withdrawals from such Series Capital Subaccount, provided that in such case the terms Series Capital Subaccount and Capital Subaccount with respect to such Series shall refer collectively to all such subaccounts except as specified in such Series Supplement for purposes of such tracing. On or prior to the Series Issuance Date for each Series issued after the Series Issuance Date for the first Series issued hereunder, the Issuer shall establish an additional Series Subaccount therefor and a Class Subaccount for any Class of such Series which has a floating rate of interest and in respect of which the Issuer has entered into an Interest Rate Swap Agreement, as Subaccounts of the Collection Account. Prior to depositing funds or U.S. Government Obligations in the Collection Account pursuant to Sections 4.01 or 4.02, the Issuer

shall establish defeasance subaccounts (each, a "Defeasance Subaccount") for each Series for which funds shall be deposited, as subaccounts of the Collection Account. All amounts in the Collection Account not allocated to any other Subaccount shall be allocated to the General Subaccount. Prior to the initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Capital Subaccount, up to the Required Capital Amount) shall be allocated to the General Subaccount. All payments received by the Trustee from any Swap Counterparty at any time shall be deposited in the related Class Subaccount. All references to the Collection Account shall be deemed to include reference to all subaccounts contained therein. Withdrawals from and deposits to each of the foregoing subaccounts of the Collection Account shall be made as set forth in Sections 4.01, 4.02, 4.03 and 8.02(d) through (n). The Collection Account shall at all times be maintained as an Eligible Account and only the Trustee shall have access to the Collection Account for the purpose of making deposits in and withdrawals from the Collection Account in accordance with this Indenture. If at any time the Collection Account ceases to be an Eligible Account, the Trustee shall, within ten days, establish a new Collection Account as an Eligible Account. Funds in the Collection Account shall not be commingled by the Issuer with any other moneys, and shall not be commingled by the Trustee. All moneys deposited from time to time in the Collection Account, all deposits therein pursuant to this Indenture, and all investments made in Eligible Investments with such moneys, including all income or other gain from such investments, shall be held by the Trustee in the Collection Account as part of the Collateral as herein provided.

(ii) Notwithstanding any other provision of this Indenture, the Collection Account shall be a "securities account" (as defined in Section 8-501(a) of the New Jersey UCC) and shall be established with the Trustee, acting as a "securities intermediary" (as defined in Section 8-102(a)(14) of the New Jersey UCC), and, in its capacity as securities intermediary, the Trustee hereby agrees that (A) the Collection Account shall be a securities account of the Trustee, (B) each item of property (whether cash, cash equivalents, instruments, investments, investment property or other) credited to the Collection Account shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the New Jersey UCC, (C) such securities intermediary shall treat the Trustee as an "entitlement holder" (as defined in Section 8-102(a)(7) of the New Jersey UCC) entitled to exercise the rights that comprise each financial asset credited to the Collection Account, (D) such securities intermediary shall comply with entitlement orders originated by the Trustee without the further consent of the Issuer or any other Person or entity, (E) such securities intermediary has not agreed to comply with the instructions of any person with respect to the Collection Account or any security entitlements or financial assets relating thereto (other than pursuant to this Indenture) and shall not agree with any person other than the Trustee to comply with entitlement orders originated by such other person in respect of the Collection Account or any security entitlement or financial asset carried in the Collection Account, (F) the Collection Account and all property credited to it shall not be subject to any Lien, security interest, right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Trustee) and in the event such securities intermediary or anyone claiming through it (other than the Trustee) has or subsequently obtains by agreement, operation of law or otherwise a security interest in the Collection Account, the securities intermediary agrees that such security interest shall be subordinate to the security interest of the Trustee, (G) such securities intermediary shall not have any knowledge without any independent investigation of any adverse claim to the Collection Account or to the security entitlements with respect thereto, (H) the securities intermediary's jurisdiction (as defined in Section 8-110(e) of the New

Jersey UCC) shall be the State of New Jersey and this Indenture is the agreement that governs the Collection Account for purposes of the New Jersey UCC, (I) all securities and other property underlying any financial assets credited to the Collection Account shall be registered in the name of the Trustee or endorsed to the Trustee or in blank, and (J) such securities intermediary shall not change the name or account number (other than in the normal course of operations in order to comply with internal system requirements) for the Collection Account without the prior written consent of the Trustee or otherwise in accordance with this Indenture. The Trustee, in its capacity as securities intermediary, and the parties hereto agree that the Collection Account shall be under the control (within the meaning of Section 8-106 of the New Jersey UCC) of the Trustee and no other person. Each party hereto and the Trustee, in its capacity as securities intermediary, agree that from time to time it shall promptly execute and deliver all instruments and documents, and take all actions, that may be reasonably necessary or that the Trustee may reasonably request in order to perfect and protect the security interest granted or intended to be granted hereby or to enable the Trustee to exercise and enforce its rights and remedies hereunder with respect to the Collection Account and all proceeds thereof.

(b) Funds in the Collection Account shall be invested and reinvested in Eligible Investments by the Trustee upon an Issuer Order; provided, however, that no funds in the Defeasance Subaccount for any Series shall be invested in Eligible Investments or otherwise, except that U.S. Government Obligations deposited by the Issuer with the Trustee pursuant to Section 4.02 shall remain as such. Except as provided in Section 8.02(g)(x), all income or other gain from investments of moneys deposited in the Collection Account shall be deposited by the Trustee in the Collection Account, and any loss resulting from such investments shall be charged to the Collection Account. The Issuer shall not direct the Trustee to make any investment of any funds or to sell any investment held in the Collection Account unless the security interest granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, and, in connection with any direction to the Trustee to make any such investment or sale, if requested by the Trustee, the Issuer shall deliver to the Trustee an Issuer Opinion of Counsel, acceptable to the Trustee, to such effect. Subject to Section 6.01(c), the Trustee shall not in any way be held liable for the selection of Eligible Investments or for investment losses incurred thereon except for losses attributable to the Trustee's failure to make payments on such Eligible Investments issued by the Trustee, in such entity's commercial capacity as principal obligor and not as Trustee, in accordance with their terms. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction pursuant to an Issuer Order.

(c) Any TBC Collections remitted by the Servicer to the Trustee, all investment earnings on the subaccounts in the Collection Account other than any Capital Subaccount, any Indemnity Amounts remitted to the Trustee by the Seller or the Servicer or otherwise received by the Trustee, any other proceeds of Collateral received by the Servicer, the Issuer or the Trustee and any amounts paid by any Swap Counterparty under an Interest Rate Swap Agreement received by the Servicer, the Issuer or the Trustee, shall be deposited in the General Subaccount.

(d) On each Payment Date, first (i) any expenses, including legal fees and expenses, Indemnity Amounts (up to a maximum of \$10 million in the aggregate for the then current and all prior Payment Dates and \$2,500,000 for any particular Payment Date and for all Series unless the Issuer has received confirmation from S&P that a further amount will not result in a reduction or withdrawal of the then current rating of the Outstanding Transition Bonds) and any other amounts due and owing to the Trustee pursuant to the Basic Documents for such quarter so long as no Event of Default would result from the payment of such Indemnity Amounts (as limited above) or such other amounts, shall, at the direction of the Servicer, be paid to the Trustee; and after all payments required to be made under subsection (i) hereof, then (ii) the fees payable to the Independent Managers in an amount equal to \$500 for such quarter and any other amounts due and owing to the Independent Managers pursuant to the Issuer LLC Agreement shall, at the direction of the Servicer, be paid to the Independent Managers.

(e) On each Payment Date, after the distributions made pursuant to clause (d) above, the Quarterly Servicing Fee and any unpaid Quarterly Servicing Fees shall, at the written direction of the Servicer, be paid to the Servicer to the extent that such amounts have not been withheld by the Servicer from TBC Collections pursuant to Section 5.07 of the Servicing Agreement.

(f) On each Payment Date, or such other date related to such Payment Date as may be specified in the related Series Supplement, the Trustee, at the written direction of the Servicer, shall allocate to each Class Subaccount the amounts specified in the related Series Supplement. Such amounts shall be so allocated after taking into account all allocations and payments required in connection with such Payment Date under clauses (d) and (e) above and (g)(i) through (iii) below; provided that in the event of any shortfall of amounts to be allocated pursuant to clause (g)(iii) among more than one Class of the applicable Series, amounts shall be allocated to such Class Subaccount on a Pro Rata basis with all other Classes of the relevant Series. Amounts in each Class Subaccount shall be applied as provided in the related Series Supplement.

(g) On each Payment Date, or before each Payment Date to the extent otherwise specified in the related Series Supplement with respect to any Class Subaccount, by 12:00 noon (prevailing New York City time), or if such day is not a Business Day, on the following Business Day, the Trustee shall, at the written direction of the Servicer, apply all amounts on deposit in the General Subaccount of the Collection Account and any investment earnings on the subaccounts in the Collection Account, except for earnings in the Capital Subaccount, after distribution in accordance with clauses (d) and (e) above, and, subject to the qualifications therein, after allocation to any Class Subaccount in accordance with clause (f) above and payment to each related Swap Counterparty in accordance with the related Series Supplement, in the following priority:

(i) the administration fee payable under, and determined in accordance with, the Administration Agreement in an amount not to exceed the Administrator's actual cost, shall be paid to the Administrator;

(ii) so long as no Event of Default has occurred and is continuing or would be caused by such payment, all Operating Expenses other than distributions in

accordance with clauses (d), (e) and (g)(i) above shall be paid to the Persons entitled thereto in accordance with the priorities set forth in this § 8.02, provided that the amount paid on such Payment Date pursuant to this clause (g)(ii) may not exceed an annual aggregate of \$250,000 for all Series;

(iii) payment of interest as follows:

(A) First, payment of accrued and unpaid interest on each Series from any prior period, including payment of amounts payable, if any, to each Swap Counterparty in accordance with the related Interest Rate Swap Agreement, which amount of unpaid interest shall be allocated to the corresponding Series Subaccount;

(B) Then, payment of the current interest then due on each Series, including payment of amounts payable to each Swap Counterparty in accordance with the related Interest Rate Swap Agreement, which amount of current interest shall be allocated to the corresponding Series Subaccount (provided, that, to the extent provided in any Series Supplement with respect to interest on any floating rate Class, such amount shall be equal to the applicable amount specified in the related Series Supplement payable with respect to that Class) and if there are insufficient funds to make such allocation in full, amounts shall be allocated on a Pro Rata basis to the corresponding Series Subaccount;

(iv) an amount equal to the Principal of each Class of each Series payable as a result of acceleration pursuant to Section 5.02, the Principal of each Series or Class payable because such Payment Date is on or after the Final Maturity Date of such Series or Class, and the Principal of each Series or Class payable on the Redemption Date for an optional redemption for such Series or Class shall be allocated to the corresponding Series Subaccount and, to the extent there are insufficient funds to make such allocation in full, amounts shall be allocated on a Pro Rata basis;

(v) an amount equal to the Principal scheduled to be paid on each Class of each Series on such Payment Date according to the Expected Amortization Schedule, excluding any amounts provided for pursuant to clause (g)(iv) above, shall be allocated to the corresponding Series Subaccount and, if there are insufficient funds to make such allocation in full, amounts shall be allocated on a Pro Rata basis;

(vi) all remaining unpaid Operating Expenses and Indemnity Amounts shall be paid to the Persons entitled thereto in accordance with the priorities set forth in this Section 8.02;

(vii) an amount necessary to replenish any shortfalls in the Capital Subaccount for each Series below the Required Capital Amount for such Series shall be allocated to the Capital Subaccount for such Series, Pro Rata, based on the Outstanding Principal balance of each Series;

(viii) an amount shall be allocated to the Overcollateralization Subaccount for each Series sufficient to cause the amount in the Overcollateralization

Subaccount for such Series to equal the Scheduled Overcollateralization Level for such Series as of that Payment Date, Pro Rata, based on the Outstanding Principal balance of each Series;

(ix) any termination or breakage amounts payable by the Issuer under any Interest Rate Swap Agreement on such Payment Date shall be paid to the Persons entitled thereto (provided, however, that for the avoidance of doubt, payments under this clause (ix) shall be paid on an unsecured basis and shall be paid after payment on such Payment Date of all amounts provided in (d), (e), (f) and (g)(i) through (viii) above);

(x) so long as no Event of Default has occurred and is continuing, an amount equal to investment earnings on amounts in the Capital Subaccount shall be released to the Issuer;

(xi) the balance, if any, shall be allocated to the Reserve Subaccount;  
and

(xii) following repayment of all amounts payable hereunder and with respect to all outstanding Series, subclause (g)(xi) shall cease to apply and the balance, if any, shall be released to the Issuer free from the Lien of this Indenture.

(h) For purposes of allocations among Series prior to an acceleration of the maturity of Transition Bonds pursuant to Section 5.02, except as otherwise provided in any Series Supplement, "Pro Rata" means with respect to any Series a ratio: (i) in the case of a payment of interest on any Payment Date, the numerator of which is the amount of interest payable on such Series on such Payment Date and, with respect to any Class of such Series of floating rate Transition Bonds, the Gross Fixed Amount for that class (as such term is defined by the related Series Supplement) on such Payment Date, and the denominator of which is the aggregate amount of interest payable on all Series on such Payment Date; (ii) in the case of a payment of Principal on any Payment Date, the numerator of which is the aggregate amount of Principal scheduled to be paid or payable, as the case may be, on such Payment Date with respect to such Series and the denominator of which is the sum of the aggregate amounts of Principal scheduled to be paid or payable, as the case may be, with respect to all Outstanding Series on such Payment Date; and (iii) in the case of a payment or allocation on any Payment Date other than of interest or Principal, the numerator of which is the Outstanding Principal amount of such Series immediately prior such Payment Date and the denominator of which is the aggregate Outstanding Principal amount of all Series immediately prior such Payment Date.

(i) If, on any Payment Date, funds on deposit in the General Subaccount are insufficient to make the payments and allocations contemplated by subclauses (d), (e), (f) and (g)(i) through (v), (vii) and (viii) above for all Series, the Trustee shall, at the written direction of the Servicer, draw from amounts on deposit in the following subaccounts in the following order up to the amount of such shortfall, in order to make such payments and allocations:

(i) from the Reserve Subaccount for all Series, Pro Rata, for payments and allocations contemplated by subclauses (d), (e), (f) and (g)(i) through (v), (vii) and (viii);

(ii) from the Overcollateralization Subaccount for such Series, Pro Rata, for payments and allocations contemplated by subclauses (d), (e), (f) and (g)(i) through (v); and

(iii) from the Capital Subaccount for such Series, Pro Rata, for payments and allocations contemplated by subclauses (d), (e), (f) and (g)(i) through (v);

provided that no amounts from the Reserve Subaccount, the Overcollateralization Subaccount for such Series or the Capital Subaccount for such Series shall be allocated to any Class Subaccount pursuant to subclause (g)(iii) to the extent a shortfall in amounts available to pay interest due on the related Class is due solely to a failure by a Swap Counterparty to make payments due under the related Interest Rate Swap Agreement.

(j) On each Payment Date for each Series prior to an acceleration of the maturity of Transition Bonds pursuant to Section 5.02, the amounts on deposit in such Series Subaccount shall be allocated, at the written direction of the Servicer, in the following order of priority: (i) to pay interest due and payable on the Transition Bonds of such Series with respect to such Payment Date to the Holders of such Series; and (ii) the balance, if any, up to the amount of Principal scheduled to be paid or payable on the Transition Bonds of such Series on such Payment Date, to pay such Principal to the Holders of such Series.

(k) Prior to an acceleration of the Transition Bonds pursuant to Section 5.02, payments of interest with respect to each Series comprised of two or more Classes shall be allocated among the Classes within such Series on a Pro Rata basis. All payments of Principal shall be made in the order set forth in the Expected Amortization Schedule established with respect to each Series and within such Series, in order of Class, and all payments of Principal that were not made on the scheduled Payment Date therefor shall be made in the order that they were scheduled for payment.

(l) For purposes of allocations among Classes within a Series prior to an acceleration of the maturity of Transition Bonds pursuant to Section 5.02, except as otherwise provided in the related Series Supplement, "Pro Rata" means with respect to any Class a ratio: (i) in the case of a payment of interest with respect to any Payment Date, the numerator of which is the amount of interest payable to such Class on such Payment Date, or in the case of any Class of floating rate Transition Bonds, the Gross Fixed Amount for that class (as such term is defined by the related Series Supplement) on such Payment Date, and the denominator of which is the aggregate amount of interest payable on all Classes within such Series on such Payment Date; and (ii) in the case of a payment of Principal on any Payment Date, the numerator of which is the aggregate amount of Principal scheduled to be paid or payable, as the case may be, on such Payment Date with respect to such Class and the denominator of which is the sum of the aggregate amounts of Principal scheduled to be paid or payable, as the case may be, with respect to all Outstanding Classes within such Series on such Payment Date.

(m) Prior to an acceleration of the Transition Bonds pursuant to Section 5.02, all payments of Principal and interest to Holders of a single Class, or of a single Series without Classes, shall be made on a proportionate basis based on the respective Principal amounts of such Transition Bonds held by such Holders.



(n) Upon an acceleration of the maturity of the Transition Bonds pursuant to Section 5.02, the aggregate amount of Principal of and interest accrued and unpaid on each Transition Bond shall be payable, without priority of interest over Principal or of Principal over interest and without regard to Series or Class, in the proportion that the aggregate amount of Principal of and interest accrued and unpaid on such Transition Bond bears to the aggregate amount of Principal of and interest accrued and unpaid on all Transition Bonds.

(o) Notwithstanding any other provision in this Indenture to the contrary, in the event of an acceleration of the maturity of Transition Bonds and a subsequent liquidation of the Collateral in accordance with Section 5.04(a), if so required by any Interest Rate Swap Agreement, the proceeds of such liquidation allocated to the related Class of floating rate Transition Bonds in accordance with this Section 8.02 shall be deposited in the related Class Subaccount and allocated between and paid to the Holders of such floating rate Class, on the one hand, and the related Swap Counterparty, on the other hand, pro rata based on the aggregate amount of Principal and interest due and payable on such floating rate Class and the aggregate amount payable to the related Swap Counterparty in accordance with such Interest Rate Swap Agreement.

#### SECTION 8.03 RELEASE OF COLLATERAL.

(a) All money and other property withdrawn from the Collection Account by the Trustee for payment to the Issuer as provided in this Indenture in accordance with Section 8.02 shall be deemed released from this Indenture when so withdrawn and applied in accordance with the provisions of Article VIII, without further notice to, or release or consent by, the Trustee.

(b) Other than as provided for in clause (a) above, the Trustee shall release property from the Lien of this Indenture only as and to the extent permitted by the Basic Documents and only upon receipt of an Issuer Request accompanied by an Issuer Officer's Certificate, an Issuer Opinion of Counsel and Independent Certificates in accordance with TIA Sections 314(c) and 314(d)(1) meeting the applicable requirements of Section 11.01 or an Issuer Opinion of Counsel in lieu of such Independent Certificates to the effect that the TIA does not require any such Independent Certificate.

(c) Subject to the payment of its fees and expenses pursuant to Section 6.07, the Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the Lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Trustee as provided in this Article VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(d) Subject to Section 8.03(b), the Trustee shall, at such time as there are no Transition Bonds Outstanding and all sums due the Trustee pursuant to Section 6.07 have been paid, release any remaining portion of the Collateral that secured the Transition Bonds from the Lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credited to the Collection Account.



**SECTION 8.04 ISSUER OPINION OF COUNSEL.** The Trustee shall receive at least five days written notice when requested by the Issuer to take any action pursuant to Section 8.03, accompanied by copies of any instruments involved, and the Trustee shall also require, as a condition to such action, an Issuer Opinion of Counsel, in form and substance satisfactory to the Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Transition Bonds or the rights of the Transition Bondholders in contravention of the provisions of this Indenture; provided, however, that such Issuer Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. The Issuer Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Issuer, upon a certificate of, or representations by, an officer or officers of the Issuer, and insofar as it relates to or is dependent upon matters which are subject to verification by accountants or other experts, upon a certificate or opinion of, or representations by, such accountant or other expert, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which the opinion may be based as aforesaid are erroneous.

**SECTION 8.05 REPORTS BY INDEPENDENT ACCOUNTANTS.** The Issuer shall appoint a firm of Independent registered public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture and the related Series Supplements. Upon any resignation by such firm, the Issuer shall promptly appoint a successor thereto that shall also be a firm of Independent registered public accountants of recognized national reputation. If the Issuer shall fail to appoint a successor to a firm of Independent registered public accountants that has resigned within fifteen days after such resignation, the Trustee shall promptly notify the Issuer of such failure in writing. If the Issuer shall not have appointed a successor within ten days thereafter, the Trustee shall promptly appoint a successor firm of Independent registered public accountants of recognized national reputation. The fees of such firm of Independent registered public accountants and its successor shall be payable by the Issuer.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

**SECTION 9.01 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF TRANSITION BONDHOLDERS.**

(a) Without the consent of the Holders of any Transition Bonds or any counterparty under any Interest Rate Swap Agreement but with prior notice to the Rating Agencies, the Issuer and the Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of the execution thereof), in form satisfactory to the Trustee, for any of the following purposes:

(i) to correct or amplify the description of the Collateral, or to better assure, convey and confirm to the Trustee the Collateral, or to subject to the Lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another person to the Issuer, and the assumption by any applicable successor of the covenants of the Issuer contained herein and in the Transition Bonds;

(iii) to add to the covenants of the Issuer, for the benefit of the Transition Bondholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to the Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any Supplemental Indenture which may be inconsistent with any other provision herein or in any Supplemental Indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any Supplemental Indenture; provided, however, that (A) such action shall not, as evidenced by an Issuer Opinion of Counsel, adversely affect in any material respect the interests of any Transition Bondholder or any counterparty under any Interest Rate Swap Agreement and (B) the then current ratings on any Outstanding Transition Bonds shall not be withdrawn or downgraded by the Rating Agencies;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor Trustee with respect to the Transition Bonds and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the TIA or under any similar or successor federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA;

(viii) to set forth the terms of any additional Series that has not theretofore been authorized by a Supplemental Indenture, provided that the then current ratings on any Outstanding Transition Bonds or any outstanding Series 2002-A Transition Bonds have not been withdrawn or downgraded by the Rating Agencies and will not be withdrawn or downgraded as a result of the issuance of such additional Series; or

(ix) to provide for one or more Interest Rate Swap Agreements with respect to any Series or Class which bears a floating rate of interest or any Series or Class with specified credit enhancement; provided, however, that:

(A) such action shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any Transition Bondholder or any counterparty under any Interest Rate Swap Agreement;

(B) the then current ratings on any Outstanding Transition Bonds or any outstanding Series 2002-A Transition Bonds shall not be withdrawn or downgraded by the Rating Agencies.

(x) to authorize the appointment of any listing agent, transfer agent or paying agent or additional registrar for any Class of any Series required or advisable in connection with the listing of any Class or any Series on the Luxembourg Stock Exchange or any other stock exchange, and otherwise to amend this Indenture to incorporate any changes requested or required by any governmental authority, stock exchange authority, listing agent, transfer agent or paying agent or additional registrar for any Class or any Series in connection with that listing.

(b) The Trustee is hereby authorized to join in the execution of any such Supplemental Indenture and to make any further appropriate agreements and stipulations that may be therein contained.

#### SECTION 9.02 SUPPLEMENTAL INDENTURES WITH CONSENT OF TRANSITION BONDHOLDERS.

(a) The Issuer and the Trustee, when authorized by an Issuer Order, also may, upon prior notice to the Rating Agencies (in each case, accompanied by the form of the proposed supplemental indenture) and with the consent of the Holders of not less than a majority of the Outstanding Amount of the Transition Bonds of each Series or Class to be affected thereby, voting as a single class, by Act of such Holders delivered to the Issuer and the Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Transition Bonds under this Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Holder of each Outstanding Transition Bond of each Series or Class and each counterparty under each Interest Rate Swap Agreement affected thereby:

(i) change the date of payment of any installment of Principal of or premium, if any, or interest on any Transition Bond, or reduce the Principal amount thereof, the interest rate thereon or the redemption price or the premium, if any, with respect thereto, change the provisions of any Interest Rate Swap Agreement relating to the amount, calculation or timing of payments, change the provisions of this Indenture and the related applicable Supplemental Indenture or Series Supplement relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of Principal of or premium, if any, or interest on the Transition Bonds, or change the currency in which any Transition Bond or the interest thereon, is payable;

(ii) impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as

provided in Article V, to the payment of any such amount due on the Transition Bonds on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(iii) reduce the percentage of the Outstanding Amount of the Transition Bonds or of a Series or Class thereof, the consent of the Holders of which is required for any such Supplemental Indenture, or the consent of the Holders of which is required for any waiver of compliance with provisions of this Indenture or defaults hereunder and their consequences provided for in this Indenture or modify or alter the provisions of the proviso to the definition of the term "Outstanding";

(iv) reduce the percentage of the Outstanding Amount of the Transition Bonds required to direct the Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 or to preserve the Collateral pursuant to Section 5.11;

(v) modify this Section 9.02(a), except to increase any percentage specified in this Section 9.02(a) or to provide that this Section 9.02(a) or the Basic Documents cannot be modified or waived without the consent of each Holder of Outstanding Transition Bonds affected thereby;

(vi) reduce the percentage of the Outstanding Amount of a Series or Class, the consent of the Holders of which is required for any amendments to the Sale Agreement, the Administration Agreement, the Servicing Agreement or any Interest Rate Swap Agreement entered into in connection with any Series or Class;

(vii) modify any of the provisions of this Indenture in such a manner so as to affect the amount of any payment of interest, Principal or premium, if any, payable on any Transition Bond on any Payment Date or change the Redemption Dates, Expected Amortization Schedules or Final Maturity Date of any Series or Class, or the method of calculation of interest on any floating rate Transition Bond;

(viii) decrease the Overcollateralization Amount or Required Capital Amount with respect to any Series or the Scheduled Overcollateralization Level with respect to any Payment Date;

(ix) modify or alter the provisions of this Indenture regarding the voting of Transition Bonds held by the Issuer, the Seller, an Affiliate of either of them or any obligor on the Transition Bonds;

(x) decrease the percentage of the Outstanding Amount of Transition Bonds required to amend the Sections of this Indenture which specify the applicable percentage of the Outstanding Amount of the Transition Bonds necessary to amend this Indenture or any other Basic Document; or

(xi) permit the creation of any Lien ranking prior to or on parity with the Lien of this Indenture with respect to any part of the Collateral, or, except as otherwise permitted or contemplated herein, terminate the Lien of this Indenture on any

property at any time subject hereto or deprive the Holder of any Transition Bond of the security provided by the Lien of this Indenture.

(b) It shall not be necessary for any Act of Transition Bondholders under this Section 9.02 to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such Act shall approve the substance thereof.

(c) Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to this Section 9.02, the Trustee shall mail to the Holders of the Transition Bonds to which such Supplemental Indenture relates a notice setting forth in general terms the substance of such Supplemental Indenture. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture. If any Transition Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the listing agent shall arrange for publication in an Authorized Newspaper that such notice shall be available with the Issuer's listing agent in Luxembourg appointed pursuant to Section 3.02(b).

**SECTION 9.03 EXECUTION OF SUPPLEMENTAL INDENTURES.** In executing, or permitting the additional trusts created by, any Supplemental Indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02 shall be fully protected in relying upon, an Issuer Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

**SECTION 9.04 EFFECT OF SUPPLEMENTAL INDENTURE.** Upon the execution of any Supplemental Indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith with respect to each Series or Class affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer, the Holders of the Transition Bonds and each counterparty under an Interest Rate Swap Agreement shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**SECTION 9.05 CONFORMITY WITH TRUST INDENTURE ACT.** Every amendment of this Indenture and every Supplemental Indenture executed pursuant to this Article IX shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be qualified under the TIA.

**SECTION 9.06 REFERENCE IN TRANSITION BONDS TO SUPPLEMENTAL INDENTURES.** *Transition Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article IX may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Issuer or the Trustee shall so determine, new Transition*

Bonds so modified as to conform, in the opinion of the Trustee and the Issuer, to any such Supplemental Indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Transition Bonds.

## ARTICLE X

### REDEMPTION OF TRANSITION BONDS

**SECTION 10.01 OPTIONAL REDEMPTION BY ISSUER.** If so provided in the related Series Supplement and provided that there is no Interest Rate Swap Agreement with respect to any Class of that Series in effect, the Issuer may, at its option, redeem all, but not less than all, of the Transition Bonds of a Series on any Payment Date if, after giving effect to payments that would otherwise be made on such Payment Date, the Outstanding Amount of any such Series has been reduced to less than five percent of the initial principal balance of such Series. The redemption price in any case shall be equal to the outstanding Principal amount of the Transition Bonds to be redeemed plus accrued and unpaid interest thereon at the Interest Rate to the Redemption Date (the "Redemption Price"). If the Issuer elects to redeem the Transition Bonds of a Series pursuant to this Section 10.01, it shall furnish notice of such election to (a) the Trustee, not later than twenty-five days prior to the Redemption Date for such redemption and (b) the Rating Agencies, not later than ten days prior to such Redemption Date, whereupon all such Transition Bonds shall be due and payable on such Redemption Date upon the furnishing of a notice complying with Section 10.03 to each Holder of the Transition Bonds of such Series pursuant to this Section 10.01.

**SECTION 10.02 MANDATORY REDEMPTION BY ISSUER.** The Issuer shall redeem the Transition Bonds of a Series on the Redemption Date or Dates, if any, in the amounts required, if any, and at the redemption price specified in the Series Supplement for such Series, which in any case shall be not less than the outstanding Principal amount of the Transition Bonds to be redeemed, plus accrued and unpaid interest thereon to such Redemption Date. If the Issuer is required to redeem the Transition Bonds of a Series pursuant to this Section 10.02, it shall furnish notice of such requirement to the Trustee not later than twenty-five days prior to the Redemption Date for such redemption whereupon all such Transition Bonds shall be due and payable on the Redemption Date upon the furnishing of a notice complying with Section 10.03 to each Holder of the Transition Bonds of such Series pursuant to this Section 10.02.

### **SECTION 10.03 FORM OF REDEMPTION NOTICE.**

(a) Unless otherwise specified in the Series Supplement relating to a Series, notice of redemption under Section 10.01 or 10.02 shall be given by the Trustee by first-class mail, postage prepaid, mailed not less than five days nor more than forty-five days prior to the applicable Redemption Date to each Holder to be redeemed, as of the close of business on the Record Date preceding the applicable Redemption Date at such Holder's address appearing in the Transition Bond Register.

(b) All notices of redemption shall state:

(i) the Redemption Date;

- (ii) the amount of such Transition Bonds to be redeemed;
- (iii) the Redemption Price; and
- (iv) the place where such Transition Bonds are to be surrendered for payment of the Redemption Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02).

(c) Notice of redemption of the Transition Bonds to be redeemed shall be given by the Trustee in the name and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Transition Bond selected for redemption shall not impair or affect the validity of the redemption of any other Transition Bond. Notice of optional redemption shall be irrevocable once given. For so long as any Transition Bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice of redemption also will be given by publication in a daily newspaper in Luxembourg not less than 10 days prior to the date of redemption.

(d) With respect to any notice of redemption of Transition Bonds at the election of the Issuer, unless, upon the giving of such notice, such Transition Bonds shall be deemed to have been paid in accordance with Section 10.01, such notice may state that such redemption shall be conditioned upon the receipt by the Paying Agent, on or prior to the Redemption Date, of money sufficient to pay the Redemption Price and that if such money shall not have been so received, such notice shall be of no force or effect and the Issuer shall not be required to redeem such Transition Bonds. In the event that such notice of redemption contains such a condition and the Redemption Price is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such Redemption Price was not so received and such redemption was not required to be made, and the Paying Agent shall promptly return to the surrendering Holders all Transition Bonds that had been surrendered for payment upon such redemption.

**SECTION 10.04 PAYMENT OF REDEMPTION PRICE.** If notice of redemption has been duly mailed or duly waived by the Holders of all Transition Bonds called for redemption, then the Transition Bonds called for redemption shall be payable on the applicable Redemption Date at the applicable Redemption Price. No further interest will accrue on the Principal amount of any Transition Bonds called for redemption after the Redemption Date, and the Holders of such Transition Bonds will have no rights with respect thereto, if payment of the Redemption Price has been duly provided for on or before the Redemption Date declared therefor. Notwithstanding the foregoing, the Holders of the Transition Bonds shall be entitled to payment of interest on the Redemption Price accrued at the related Interest Rates to the extent the Issuer fails to pay the Redemption Price on the Redemption Date. Payment of the Redemption Price shall be made by the Trustee to or upon the order of the Holders of the Transition Bonds called for redemption upon surrender of such Transition Bonds, and the Transition Bonds so redeemed shall cease to be of further effect and the Lien hereunder shall be released with respect to such Transition Bonds.

## ARTICLE XI

### MISCELLANEOUS

#### SECTION 11.01 COMPLIANCE CERTIFICATES AND OPINIONS, ETC.

(a) Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee (i) an Issuer Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Issuer Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if required by the TIA) an Independent Certificate from a firm of Independent registered public accountants meeting the applicable requirements of this Section 11.01, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

(b) Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

#### SECTION 11.02 FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the



certificate or opinion or representations with respect to the matters upon which such certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Issuer Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Seller or the Issuer, stating that the information with respect to such factual matters is in the possession of the Servicer, the Seller or the Issuer, unless such Authorized Officer or counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

(c) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

(d) Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to conclusively rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

#### SECTION 11.03 ACTS OF TRANSITION BONDHOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Transition Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Transition Bondholders in person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Transition Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The ownership of Transition Bonds shall be proved by the Transition Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Transition Bond shall bind the Holder of every Transition

Bond issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Transition Bond.

SECTION 11.04 NOTICES, ETC., TO TRUSTEE, ISSUER AND RATING AGENCIES.

(a) Any request, demand, authorization, direction, notice, consent, waiver or Act of Transition Bondholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with

- (i) the Trustee by any Transition Bondholder or by the Issuer or
- (ii) the Issuer by the Trustee or by any Transition Bondholder

The Bank of New York  
101 Barclay Street, 8 West  
New York, New York 10286  
Attn: Asset Backed Securities

shall be sufficient for every purpose hereunder if in English and in writing, and sent by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class 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 request, demand, authorization, direction, notice, consent, waiver or Act shall be effective when delivered or transmitted, or if mailed five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid, in the case of the Trustee, addressed to the Trustee at its Corporate Trust Office, and in the case of the Issuer, addressed to: JCP&L Transition Funding II LLC, 103 Foulk Road, Suite 202, Wilmington, Delaware 19803, with a copy to JCP&L Transition Funding, c/o FirstEnergy Service Company, 76 South Main Street, Akron, Ohio 44308, Attention: Managers, or at any other address previously furnished in writing to the Trustee by the Issuer. The Issuer shall promptly transmit any notice received by it from the Transition Bondholders to the Trustee.

(b) Notices required to be given to the Rating Agencies by the Issuer, the Trustee or a Manager shall be in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to: (i) in the case of Moody's: Moody's Investors Service, Inc., Attention: ABS Monitoring Department, 99 Church Street, New York, New York 10007; (ii) in the case of Standard & Poor's: Standard & Poor's, ABS Surveillance Group, 55 Water Street, 41<sup>st</sup> Floor, New York, New York 10041-0003; fax: 212-438-2664; and (iii) in the case of Fitch: Fitch, Inc., One State Street Plaza, New York, New York 10004, Attention: ABS Surveillance.

SECTION 11.05 NOTICES TO TRANSITION BONDHOLDERS;  
WAIVER.

(a) Where this Indenture provides for notice to Transition Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in

writing and delivered by first-class mail, postage prepaid, to each Transition Bondholder affected by such event, at the address of such Transition Bondholder as it appears on the Transition Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Transition Bondholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Transition Bondholder shall affect the sufficiency of such notice with respect to other Transition Bondholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

(b) Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Transition Bondholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

(c) In case it shall be impractical to deliver notice in accordance with clause (a) of this Section 11.05 to the Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

(d) Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a Default or Event of Default.

**SECTION 11.06 ALTERNATE PAYMENT AND NOTICE PROVISIONS.**  
Notwithstanding any provision of this Indenture or any of the Transition Bonds to the contrary, the Issuer may enter into any agreement with any Holder of a Transition Bond providing for a method of payment, or notice by the Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices. The Issuer will furnish to the Trustee a copy of each such agreement and the Trustee will cause payments to be made and notices to be given in accordance with such agreements.

**SECTION 11.07 CONFLICT WITH TRUST INDENTURE ACT.**

(a) If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control.

(b) The provisions of TIA Sections 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

**SECTION 11.08 EFFECT OF HEADINGS AND TABLE OF CONTENTS.**  
The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

**SECTION 11.09 SUCCESSORS AND ASSIGNS.**

(a) All covenants and agreements in this Indenture and the Transition Bonds by the Issuer shall bind its successors and permitted assigns, whether so expressed or not, unless expressly agreed to the contrary.

(b) All agreements of the Trustee in this Indenture shall bind its successors.

(c) The Trustee shall provide prior notice to the Rating Agencies of any assignment of obligations under this Indenture.

**SECTION 11.10 SEVERABILITY.** In case any provision in this Indenture or in the Transition Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 11.11 BENEFITS OF INDENTURE.** Nothing in this Indenture or in the Transition Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Transition Bondholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

**SECTION 11.12 LEGAL HOLIDAYS.** In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Transition Bonds or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

**SECTION 11.13 GOVERNING LAW. THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

**SECTION 11.14 COUNTERPARTS.** This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

**SECTION 11.15 ISSUER OBLIGATION.** No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Transition Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Member or any Manager, employee or agent of the Issuer or (ii) any stockholder, officer, director, employee or agent of the Trustee (it being understood that none of the Trustee's obligations are in its individual capacity).

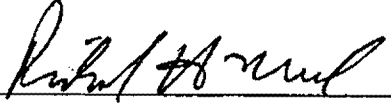
**SECTION 11.16 NO PETITION.** The Trustee, by entering into this Indenture, and each Transition Bondholder, by accepting a Transition Bond, hereby covenants and agrees (or shall be deemed to have covenanted and agreed) that it shall not at any time institute against the Issuer, or join in the institution against the Issuer of, or acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the 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 Issuer or any substantial part of the property of the Issuer or ordering the winding up or liquidation of the affairs of the Issuer.

SECTION 11.17 INTERCREDITOR AGREEMENT. The Trustee is hereby authorized and directed by the Issuer to execute and deliver the Intercreditor Agreement. The Intercreditor Agreement shall be binding on the Holders.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly executed and delivered by a Manager and an officer, respectively, thereof, each thereunto duly authorized, all as of the day and year first above written.

**JCP&L TRANSITION FUNDING II LLC,**  
as Issuer

By: 

Name: Richard H. Marsh

Title: Manager, Senior Vice President  
and Chief Financial Officer

**THE BANK OF NEW YORK,**  
as Trustee

By: \_\_\_\_\_

Name: Catherine Cerilles

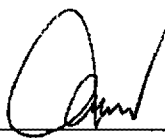
Title: Assistant Vice President

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly executed and delivered by a Manager and an officer, respectively, thereof, each thereunto duly authorized, all as of the day and year first above written.

**JCP&L TRANSITION FUNDING II LLC,**  
as Issuer

By: \_\_\_\_\_  
Name: Richard H. Marsh  
Title: Manager, Senior Vice President  
and Chief Financial Officer

**THE BANK OF NEW YORK,**  
as Trustee

By:  \_\_\_\_\_  
Name: Catherine Cerilles  
Title: Assistant Vice President

## APPENDIX A

### MASTER DEFINITIONS

The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms.

**Act** has the meaning specified in Section 11.03 (a) of the Indenture.

**Adjustment Date** means (a) June 1 of each year through June 1, 2020, (b) as long as the Transition Bonds are outstanding, March 1, June 1, September 1, and December 1 of each year, beginning September 1, 2020 and (c) any other date which is thirty days after a Calculation Date.

**Adjustment Request** means an application filed by the Servicer with the BPU for a Transition Bond Charge Adjustment pursuant to Section 5(b) of the Issuer Annex.

**Administration Agreement** means the Administration Agreement dated as of August 10, 2006, between FirstEnergy Service, as administrator, and the Issuer, as the same may be amended or supplemented from time to time.

**Administrator** means FirstEnergy Service, as administrator under the Administration Agreement, and each successor to FirstEnergy Service, in the same capacity, pursuant to Section 14 of the Administration Agreement.

**Advice Letter** means, with respect to any Series, the Issuance Advice Letter, in the form attached as Appendix B to the Financing Order, to be filed with the BPU not later than five Business Days after the issuance and sale of the Transition Bonds.

**Affiliate** means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, control when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

**Annual Accountant's Report** has the meaning assigned to that term in Section 3.07 of the Servicing Agreement.

**Annual Reconciliation Date** means the last Business Day of May of each year, commencing with May 2007 and continuing through May 2020 (or such earlier month as the Servicer shall have specified to the Issuer and the Trustee by not less than thirty days prior written notice).

**Article 9 Collateral** has the meaning specified in Section 2.10(b)(v)(I)(1) of the Indenture.

**Authorized Denominations** means, with respect to any Series or Class, \$1,000 and integral multiples of \$1,000 above that amount, provided, however, that one bond of each Class may have denomination of less than \$1,000, or such other denominations as may be specified in the Series Supplement therefor.



**Authorized Newspaper** means the Luxemburger Wort or any other newspaper published in Luxembourg on a daily basis.

**Authorized Officer** means, with respect to the Issuer, (A) any Manager or (B) any person designated as an "Officer" under the Issuer LLC Agreement and authorized thereby to act on behalf of the Issuer.

**Basic Documents** means the Sale Agreement, the Intercreditor Agreement, the Servicing Agreement, the Indenture and all supplements thereto, the Administration Agreement, each Bill of Sale, the Formation Documents and each Interest Rate Swap Agreement, as each may be amended or supplemented from time to time.

**Billing Month** means a calendar month during which the Transition Bond Charge is billed to Customers.

**Bill of Sale** means each bill of sale issued by the Seller to the Issuer pursuant to the Sale Agreement evidencing the sale of Bondable Transition Property by the Seller to the Issuer.

**Bondable Stranded Costs** means those bondable stranded costs, within the meaning specified in the Competition Act, approved for recovery in the Financing Order.

**Bondable Transition Property** has the meaning assigned to that term in the Competition Act and the Financing Order.

**Bondable Transition Property Documentation** means all documents related to the Transferred Bondable Transition Property, including copies of the Petition and the Financing Order and all documents filed with the BPU in connection with any Transition Bond Charge Adjustment.

**Book-Entry Transition Bonds** means beneficial interests in the Transition Bonds, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture.

**BPU** means the New Jersey Board of Public Utilities, and any successor thereof.

**BPU Regulations** means any regulations, orders, guidelines or directives promulgated, issued or adopted by the BPU.

**Business Day** means any day other than a Saturday or Sunday or a day on which banking institutions in New York, New York or, with respect to any Transition Bonds listed on the Luxembourg Stock Exchange, in Luxembourg, are required or authorized by law or executive order to close.

**Calculation Date** means (a) May 1 of each year until May 1, 2020, (b) February 1, May 1, August 1 and November 1 of each year beginning August 1, 2020 and for so long as the Transition Bonds are outstanding, and (c) any other day on which the Servicer files an Adjustment Request.

**Capital Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Class** means, with respect to any Series, any one of the classes of Transition Bonds of that Series, as specified in the Series Supplement for that Series.

**Class Final Maturity Date** means the Final Maturity Date of a Class, as specified in the Series Supplement for the related Series.

**Class Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Clearing Agency** means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

**Clearing Agency Participant** means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

**Closing Date** means August 10, 2006.

**Code** means the Internal Revenue Code of 1986, as amended from time to time, and Treasury Regulations promulgated thereunder.

**Collateral** has the meaning specified in the first paragraph of the Granting Clause of the Indenture.

**Collection Account** has the meaning specified in Section 8.02(a) of the Indenture.

**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.

**Commission** means the U.S. Securities and Exchange Commission, and any successor thereof.

**Competition Act** means the Electric Discount and Energy Competition Act, New Jersey Statutes Annotated, Title 48, Chapter 3, Article 7, as heretofore amended.

**Corporate Trust Office** means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at date of the execution of the Indenture is located at 101 Barclay Street, 8 West, New York, New York 10286, Attention: Asset Backed Securities, Phone: 212-815-6258 Fax: 212-815-3883 or at such other address as the Trustee may designate from time to time by notice to the Transition Bondholders and the Issuer, or the principal corporate trust office of any successor Trustee (the address of which the successor Trustee will notify the Transition Bondholders and the Issuer in writing).

**Covenant Defeasance Option** has the meaning specified in Section 4.01(b) of the Indenture.

**Customer** means each person who is a retail consumer of electricity and who accesses JCP&L's transmission and distribution system, other than certain end users that are connected to JCP&L's transmission and distribution system but who self-generate from on-site facilities, regardless of whether such consumer elects to purchase electricity from a Third Party.

**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 receives TBC Collections.

**Default** means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

**Defeasance Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Definitive Transition Bonds** has the meaning specified in Section 2.11 of the Indenture.

**Delaware UCC** means the Uniform Commercial Code, as in effect in the State of Delaware, as amended from time to time.

**Designee Certification** means the designee certification dated August 4, 2006, substantially in the form attached as Appendix A to the Financing Order.

**DTC Agreement** means the agreement between the Issuer and The Depository Trust Company, as the initial Clearing Agency, dated on or about August 8, 2006, relating to the Transition Bonds, as the same may be amended or supplemented from time to time.

**Eligible Account** means either:

- (a) a segregated non-interest bearing trust account with an Eligible Institution; or
- (b) a segregated non-interest bearing trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution shall have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade.

**Eligible Guarantor Institution** means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as "an eligible guarantor institution," including (as such terms are defined therein):

- (a) a bank;
- (b) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer;
- (c) a credit union;
- (d) a national securities exchange, registered securities association or clearing agency; or
- (e) a savings association that is a participant in a securities transfer association.

**Eligible Institution means:**

- (a) the corporate trust department of the Trustee, so long as any of the securities of the Trustee have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade; or
- (b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), which
  - (i) has either
    - (A) with respect to any Eligible Investment having a maturity of greater than one month, a long-term unsecured debt rating of "AAA" by Standard & Poor's and Fitch and "Aaa" by Moody's, or
    - (B) with respect to any Eligible Investment having a maturity of one month or less, a certificate of deposit rating of "A-1+" by Standard & Poor's, "P-1" by Moody's and "F1" by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and
  - (ii) whose deposits are insured by the FDIC.

**Eligible Investments** mean book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence:

- (a) direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;
- (b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company (any depository institution or trust company being referred to in this definition as a "financial institution") incorporated under the laws of the United States of America or any State thereof (or any domestic branch of a foreign bank) and subject to supervision and examination by Federal or State banking or depository institution authorities; provided, however, that at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) thereof shall have a credit rating from each of the Rating Agencies in the highest investment category granted thereby;
- (c) commercial paper or other short term obligations of any corporation organized under the laws of the United States of America (other than JCP&L and any of its Affiliates) whose ratings, at the time of the investment or contractual commitment to invest therein, from each of the Rating Agencies are in the highest investment category granted thereby;

- (d) demand deposits, time deposits and certificates of deposit which are fully insured by the FDIC;
- (e) investments in money market funds having a rating from each of the Rating Agencies in the highest investment category granted thereby (including funds for which the Trustee or any of its Affiliates act as investment manager or advisor);
- (f) bankers' acceptances issued by any depository institution or trust company referred to in clause (b) above;
- (g) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (b) above;
- (h) repurchase obligations with respect to any security or whole loan entered into with
  - (i) a financial institution (acting as principal) described in clause (b) above,
  - (ii) 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 "P-1" by Moody's and "A-1+" by Standard & Poor's at the time of entering into the repurchase obligation or
  - (iii) 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 "P-1" by Moody's and "A-1+" by Standard & Poor's at the time of purchase; or
- (i) any other investment permitted by each Rating Agency;

provided, however, that, with respect to Moody's only, the obligor related to clauses (b), (c), (d), (f), (g) and (h) above must have both a long term rating of at least "A1" and a short term rating of at least "P-1", and provided further, that, unless otherwise permitted by each Rating Agency, upon the failure of any Eligible Institution to maintain any applicable rating set forth in this definition or the definition of Eligible Institution, the related investments at such institution shall be reinvested in Eligible Investments at a successor Eligible Institution within ten days, and provided, further, that, any Eligible Investment must not:

- (A) be sold, liquidated or otherwise disposed of at a loss, prior to the maturity thereof, or
- (B) mature later than (i) the date on which the proceeds of such Eligible Investment will be required to be on deposit in the

Collection Account in order for the Trustee to make all required and scheduled payments and deposits into subaccounts under the Indenture, if such Eligible Investment is held by an Affiliate of the Trustee, or (ii) the Business Day prior to the date on which the proceeds of such Eligible Investment will be required to be on deposit in the Collection Account in order for the Trustee to make all required and scheduled payments and deposits into Subaccounts under the Indenture, if such Eligible Investment is not held by an Affiliate of the Trustee.

**Event of Default** has the meaning specified in Section 5.01 of the Indenture.

**Exchange Act** means the Securities Exchange Act of 1934, as amended.

**Executive Officer** means, with respect to any corporation, the chief executive officer, chief operating officer, chief financial officer, chief information officer, president, executive vice president, any vice president, the secretary or the treasurer of such corporation; and with respect to any limited liability company, any manager thereof.

**Expected Amortization Schedule** means, with respect to each Series or, if applicable, each Class, the expected amortization schedule for principal thereof, as specified in the Series Supplement therefor.

**Expected Final Payment Date** means, with respect to each Series or, if applicable, each Class, the Payment Date related to the date when all interest and principal is scheduled to be paid with respect to that Series or Class in accordance with the Expected Amortization Schedule, as specified in the Series Supplement therefor.

**FDIC** means the Federal Deposit Insurance Corporation or its successor.

**Final Maturity Date** means, for each Series or, if applicable, each Class, the Payment Date related to the date by which all Principal of and interest on such Series or Class is required to be paid, as specified in the Series Supplement therefor.

**Financing Issuance** means an issuance of a new Series under the Indenture to provide funds to finance the purchase by the Issuer of Bondable Transition Property.

**Financing Order** means the bondable stranded costs rate order, dated June 8, 2006, issued with respect to the Issuer's Transition Bonds by the BPU pursuant to the Competition Act and any subsequent bondable stranded costs rate order, if any, issued with respect to any of the Issuer's Transition Bonds by the BPU.

**FirstEnergy Service** means FirstEnergy Service Company, an Ohio corporation, or its successor.

**Fitch** means Fitch, Inc., or its successor.

**Formation Documents** means, collectively, the Issuer LLC Agreement, the Issuer Certificate of Formation and any other document pursuant to which the Issuer is formed or governed, as each may be amended or supplemented from time to time.

**General Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Grant** means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a Lien upon and a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal, interest and other payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

**Holder or Transition Bondholder** means the Person in whose name a Transition Bond of any Series or Class is registered in the Transition Bond Register.

**Indemnification Event** means an event which triggers JCP&L's obligation to indemnify the Issuer and the Trustee, for itself and on behalf of the Transition Bondholders, and each of their respective managers, officers, directors, employees and agents, pursuant to Section 5.01 of the Sale Agreement.

**Indemnity Amount** means the amount paid by the Servicer, the Issuer or JCP&L to the Trustee, for the Trustee itself or on behalf of the Transition Bondholders, in respect of indemnification obligations pursuant to the Indenture, the Sale Agreement or the Servicing Agreement.

**Indenture** means the Indenture dated as of August 10, 2006, by and between the Issuer and the Trustee, as the same may be amended or supplemented from time to time by one or more Supplemental Indentures, and shall include each Series Supplement and the forms and terms of the Transition Bonds established thereunder.

**Independent** means, when used with respect to

- (a) any specified Person (other than registered public accountants), that the Person
  - (i) is in fact independent of the Issuer, any other obligor upon the Transition Bonds, JCP&L and any Affiliate of any of the foregoing Persons,
  - (ii) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor upon the Transition Bonds, JCP&L or any Affiliate of any of the foregoing Persons and
  - (iii) is not connected with the Issuer, any such other obligor upon the Transition Bonds, JCP&L or any Affiliate of any of the foregoing Persons as an

officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions; and

(b) with respect to registered public accountants, means that such registered public accountants are independent in accordance with the Rules of the Public Company Accounting Oversight Board.

**Independent Certificate** means a certificate or opinion to be delivered to the Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and approved by the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read the definition of "Independent" in this Appendix A and that the signer is Independent within the meaning thereof.

**Independent Manager** has the meaning set forth in Section 1.01 of the Issuer LLC Agreement.

**Initial Purchase Price** has the meaning set forth in Section 2.01(a) of the Sale Agreement.

**Initial Transfer Date** means the Series Issuance Date for the first Series.

**Initial Transferred Bondable Transition Property** means the Bondable Transition Property sold by the Seller to the Issuer as of the Initial Transfer Date pursuant to the Sale Agreement and the Bill of Sale delivered on or prior to the Initial Transfer Date as identified in such Bill of Sale.

**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 ninety 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, or the taking of action by such Person in furtherance of any of the foregoing.

**Intercreditor Agreement** means the Intercreditor Agreement dated August 10, 2006 between the Issuer, JCP&L in various capacities, The Bank of New York in various capacities, and



JCP&L Transition Funding LLC, as the same may be amended or supplemented from time to time.

**Interest Rate** means, with respect to each Series or Class, the rate at which interest accrues on the Principal balance of Transition Bonds of such Series or Class, as specified in the Series Supplement therefor.

**Interest Rate Swap Agreement** means each ISDA Master Agreement, together with the related schedule and confirmations, between the Issuer and a Swap Counterparty, as the same may be amended or supplemented from time to time, with respect to any Series or Class.

**Issuer** means JCP&L Transition Funding II LLC, a Delaware limited liability company, or its successor under the Indenture or the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

**Issuer Annex** means Annex 1 to the Servicing Agreement.

**Issuer Certificate of Formation** means the Certificate of Formation of the Issuer, dated March 29, 2004, which was filed with the Delaware Secretary of State's Office on March 29, 2004, as the same may be amended or supplemented from time to time.

**Issuer LLC Agreement** means the Amended and Restated Limited Liability Company Agreement of the Issuer between the Member and the Issuer, dated as of August 10, 2006, as the same may be amended or supplemented from time to time.

**Issuer Officer's Certificate** means a certificate signed by any Authorized Officer of the Issuer, under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 of the Indenture, and in a form reasonably satisfactory to and delivered to the Trustee. Unless otherwise specified, any reference in the Indenture to an Officer's Certificate shall be to an Officer's Certificate of any Authorized Officer of the Issuer.

**Issuer Opinion of Counsel** means one or more written opinions of counsel who may, except as otherwise expressly provided in the Indenture, be employees of or counsel to the Issuer or the Seller and who shall be reasonably satisfactory to the Trustee, and which opinion or opinions shall be addressed to the Trustee, and shall be in a form reasonably satisfactory to the Trustee.

**Issuer Order or Issuer Request** means a written order or request, respectively, signed in the name of the Issuer by any one of its Authorized Officers and in a form reasonably satisfactory to and delivered to the Trustee.

**JCP&L** means Jersey Central Power & Light Company, a New Jersey corporation, or its successor.

**Legal Defeasance Option** has the meaning specified in Section 4.01(b) of the Indenture.

**Lien** means a security interest, lien, mortgage, charge, claim, pledge, equity or other encumbrance of any kind.

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

**Manager** has the meaning set forth in Section 1.01 of the Issuer LLC Agreement.

**Market Transition Charge** means the market transition charge that JCP&L may impose on Customers pursuant to the Competition Act and the Restructuring Order.

**Member** means JCP&L, as the sole member of the Issuer, in its capacity as such member under the Issuer LLC Agreement.

**Monthly Reconciliation Date** means the last Business Day of each month commencing with June 2020 (or such earlier month as the Servicer shall have specified to the Issuer and the Trustee by not less than thirty days prior written notice).

**Monthly Remittance Date** means the first day of each calendar month (or if such day is not a Business Day, the preceding Business Day) beginning on September 1, 2006.

**Moody's** means Moody's Investors Service, Inc., or its successor.

**MTC-Tax** means the tax component included in the Market Transition Charge which JCP&L is entitled to collect as authorized by the Financing Order and the Restructuring Order.

**New Jersey UCC** means the Uniform Commercial Code, as in effect in the State of New Jersey, as amended from time to time.

**Operating Expenses** means, with respect to the Issuer, all fees, costs, expenses and indemnity payments owed by the Issuer, including, without limitation, all amounts owed by the Issuer to the Trustee, the Quarterly Servicing Fee, the fees and expenses payable by the Issuer to the Administrator under the Administration Agreement, the fees and expenses payable by the Issuer to the Independent Managers and Special Members of the Issuer, all Indemnity Amounts, fees of the Rating Agencies, legal fees and expenses of the Servicer pursuant to Section 3.10 of the Servicing Agreement, legal and accounting fees, costs and expenses of the Issuer, and legal, accounting or other fees, costs and expenses of the Seller (including, without limitation, any costs and expenses incurred by the Seller pursuant to Section 4.08 of the Sale Agreement) under or in connection with the Basic Documents or the Financing Order.

**Opinion of Counsel** means one or more written opinions of counsel who may be an employee of or counsel to JCP&L, the Issuer or any other Person (as the context may require), which counsel shall be reasonably acceptable to the Trustee, the Issuer or the Rating Agencies, as applicable, and which shall be in form reasonably satisfactory to the Trustee, if applicable.

**Outstanding** with respect to Transition Bonds means, as of the date of determination, all Transition Bonds theretofore authenticated and delivered under the Indenture except:

- (a) Transition Bonds theretofore canceled by the Transition Bond Registrar or delivered to the Transition Bond Registrar for cancellation;

- (b) Transition Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Transition Bonds; provided, however, that if such Transition Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee, made; and
- (c) Transition Bonds in exchange for or in lieu of other Transition Bonds which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Trustee is presented that any such Transition Bonds are held by a bona fide purchaser;

provided, however, that in determining whether the Holders of the requisite Outstanding Amount of the Transition Bonds or any Series or Class thereof have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Transition Bonds owned by the Issuer, any other obligor upon the Transition Bonds, JCP&L or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be fully protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Transition Bonds that the Trustee actually knows to be so owned shall be so disregarded. Transition Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Transition Bonds and that the pledgee is not the Issuer, any other obligor upon the Transition Bonds, JCP&L or any Affiliate of any of the foregoing Persons.

**Outstanding Amount** means the aggregate principal amount of all Outstanding Transition Bonds or, if the context requires, all Outstanding Transition Bonds of a Series or Class Outstanding at the date of determination.

**Overcollateralization** means, with respect to any Payment Date, an amount that, if deposited to the Overcollateralization Subaccount, would cause the balance in such subaccount to equal the Scheduled Overcollateralization Level for such Payment Date.

**Overcollateralization Amount** means, with respect to any Series, the amount specified as such in the Series Supplement therefor.

**Overcollateralization Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Paying Agent** means the Trustee or any other Person, including any Person appointed pursuant to Section 3.02(b) of the Indenture, that meets the eligibility standards for the Trustee specified in Section 6.11 of the Indenture and is authorized by the Issuer to make the payments of Principal of or premium, if any, or interest on the Transition Bonds on behalf of the Issuer.

**Payment Date** means, with respect to each Series or Class, each date or dates respectively specified as Payment Dates for such Series or Class in the Series Supplement therefor.

**Person** means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

**Petition** means the petition filed by JCP&L with the BPU, dated February 14, 2003, as amended on September 14, 2003 and December 1, 2003.

**Predecessor Transition Bond** means, with respect to any particular Transition Bond, every previous Transition Bond evidencing all or a portion of the same debt as that evidenced by such particular Transition Bond; and, for the purpose of this definition, any Transition Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Transition Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Transition Bond.

**Principal** means, with respect to any Payment Date and each Series or Class:

- (a) the amount of principal scheduled to be paid on such Payment Date in accordance with the Expected Amortization Schedule;
- (b) the amount of principal due on the Final Maturity Date of any Series or Class on such Payment Date;
- (c) the amount of principal due as a result of the occurrence and continuance of an Event of Default and acceleration of the Transition Bonds;
- (d) the amount of principal and premium, if any, due as a result of a redemption of Transition Bonds on such Payment Date; and
- (e) any overdue payments of principal.

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

**Projected Transition Bond Balance** means, as of any date, the sum of the amounts provided for in the Expected Amortization Schedules for each outstanding Series as of such date.

**Pro Rata** shall have the meaning specified in Section 8.02(h) and Section 8.02(l) of the Indenture.

**Prospectus** shall have the meaning specified in Section 3.06 of the Sale Agreement.

**Quarterly Servicing Fee** means the fee payable to the Servicer on a quarterly basis for services rendered, in accordance with Section 5.07 of the Servicing Agreement.

**Rating Agency** means, as of any date, any rating agency rating the Transition Bonds of any Class or Series at the time of issuance thereof at the request of the 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 Issuer, notice of which designation shall be given to the Trustee, the Member and the Servicer.

**Reconciliation Date** means an Annual Reconciliation Date or a Monthly Reconciliation Date, as appropriate.

**Record Date** has the meaning set forth in each Series Supplement.

**Redemption Date** means, with respect to each Series or Class, the date for the redemption of the Transition Bonds of such Series or Class pursuant to Section 10.01 or 10.02 of the Indenture or the Series Supplement for such Series or Class, which in each case shall be a Payment Date.

**Redemption Price** has the meaning set forth in Section 10.01 of the Indenture.

**Refunding Issuance** means an issuance of a new Series under the Indenture to pay the cost of refunding, through redemption or payment on the Expected Final Payment Date for a Series or Class, all or part of the Transition Bonds of such Series or Class to the extent permitted by the terms thereof.

**Registered Holder** means, as of any date, the Person in whose name a Transition Bond is registered in the Transition Bond Register on such date.

**Regulation AB** means Subpart 229.1100 - Asset Backed Securities, 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset-Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506, 1,531 (Jan. 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

**Released Parties** has the meaning specified in Section 5.02(d) of the Servicing Agreement.

**Remittance Date** means a Daily Remittance Date or a Monthly Remittance Date, as applicable.

**Required Capital Amount** means, with respect to any Series, the amount required to be deposited in the Capital Subaccount on the Series Issuance Date of such Series, as specified in the related Series Supplement.

**Reserve Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Responsible Officer** means, with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee, including any vice president, assistant vice president, secretary, assistant secretary, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

**Restructuring Order** means the order of the BPU issued on March 7, 2001 pursuant to Section 13 of the Competition Act (N.J.S.A. 48:3-61) with respect to JCP&L.

**Retiring Trustee** has the meaning specified in Section 6.08(b) of the Indenture.

**Sale Agreement** means the Bondable Transition Property Sale Agreement dated August 10, 2006 between the Seller and the Issuer, as the same may be amended or supplemented from time to time.

**Scheduled Overcollateralization Level** means, with respect to each Series and each Payment Date, the amount with respect to such Series set forth as such in Schedule A to the related Series Supplement, as such Schedule A has been adjusted in accordance with Section 3.19 of the Indenture to reflect redemptions or defeasances of Transition Bonds and issuances of additional Series.

**Secured Obligations** has the meaning specified in the second paragraph of the Granting Clause of the Indenture.

**Securities Act** means the Securities Act of 1933, as amended.

**Seller** means JCP&L, in its capacity as seller of the Bondable Transition Property to the Issuer pursuant to the Sale Agreement.

**Seller Officers' Certificate** means a certificate signed by:

- (a) the chairman of the board, the president, the vice chairman of the board, any executive vice president or any vice president of JCP&L; and
- (b) the chief financial officer, the treasurer, any assistant treasurer, the secretary or any assistant secretary of JCP&L.

**Series** means any series of Transition Bonds issued by the Issuer and authenticated by the Trustee pursuant to the Indenture, as specified in the Series Supplement therefor.

**Series Capital Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Series Final Maturity Date** means the Final Maturity Date for a Series.

**Series Issuance Date** means, with respect to any Series, the date on which the Transition Bonds of such Series are to be originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement for such Series.

**Series Overcollateralization Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Series Subaccount** has the meaning specified in Section 8.02(a) of the Indenture.

**Series Supplement** means an indenture supplemental to the Indenture that authorizes a particular Series, as the same may be amended or supplemented from time to time.

**Servicer** means JCP&L, as the servicer of the Bondable Transition Property, and each successor to JCP&L (in the same capacity) pursuant to Section 5.03 or 6.04 of the Servicing Agreement.

**Servicer Default** means an event specified in Section 6.01 of the Servicing Agreement.

**Servicer Officers' Certificate** means a certificate signed by:

- (a) the chairman of the board, the president, the vice chairman of the board, any executive vice president or any vice president of the Servicer; and
- (b) the chief financial officer, the treasurer, any assistant treasurer, the secretary or any assistant secretary of the Servicer.

**Servicing Agreement** means the Servicing Agreement dated as of August 10, 2006, between the Issuer and the Servicer, as the same may be amended or supplemented from time to time.

**Servicing Criteria** means the criteria listed on Appendix B of this Indenture.

**Special Member** has the meaning set forth in the Issuer LLC Agreement.

**Standard & Poor's or S&P** means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, or its successor.

**State** means any one of the fifty states of the United States of America or the District of Columbia.

**Subaccount** means any of the subaccounts of the Collection Account specified in Section 8.02 of the Indenture.

**Subsequent Purchase Price** has the meaning specified in Section 2.01(d) of the Sale Agreement.

**Subsequent Sale** means the sale of additional Bondable Transition Property by the Seller to the Issuer after the Initial Transfer Date, subject to the satisfaction of the conditions specified in the Sale Agreement and the Indenture.

**Subsequent Transfer Date** means the date that a sale of Subsequent Transferred Bondable Transition Property will be effective, as specified in a written notice provided by the Seller to the Issuer pursuant to the Sale Agreement.

**Subsequent Transferred Bondable Transition Property** means Bondable Transition Property sold by the Seller to the Issuer as of a Subsequent Transfer Date pursuant to the Sale Agreement and the Bill of Sale delivered on or prior to the Subsequent Transfer Date as identified in such Bill of Sale.

**Successor Servicer** has the meaning specified in Section 3.20(i) of the Indenture.

**Supplemental Indenture** means a supplemental indenture entered into by the Issuer and the Trustee pursuant to Article IX of the Indenture.

**Swap Counterparty** means, with respect to any Interest Rate Swap Agreement, the swap counterparty under that Interest Rate Swap Agreement.

**TBC Collections** means amounts received by the Servicer in respect of the Transition Bond Charge.

**Termination Notice** has the meaning specified in Section 6.01 of the Servicing Agreement.

**Third Party** means any third party, including any electric power supplier, providing billing or metering services, licensed by the BPU pursuant to relevant provisions of the Competition Act, any BPU Regulations and the Financing Order.

**Transfer Date** means the Initial Transfer Date or any Subsequent Transfer Date, as applicable.

**Transferred Bondable Transition Property** has the meaning specified in Section 2.10(b)(v)(H)(1) of the Indenture.

**Transition Bond** means any of the transition bonds (as defined in the Competition Act) issued by the Issuer pursuant to the Indenture.

**Transition Bond Balance** means, as of any date, the aggregate Outstanding Amount of all Series on such date.

**Transition Bond Charge** means the Transition Bond Charge authorized by the BPU to be imposed on all Customers by JCP&L or its successor to recover Bondable Stranded Costs pursuant to the Competition Act and the Financing Order.

**Transition Bond Charge Adjustment** means each adjustment to the Transition Bond Charge related to the Transferred Bondable Transition Property made in accordance with Section 4.01 of the Servicing Agreement and the Issuer Annex.

**Transition Bond Charge Adjustment Process** means the process by which the Transition Bond Charge is adjusted pursuant to the Servicing Agreement, the Competition Act, the Petition and the Financing Order.

**Transition Bond Owner** means, with respect to a Book-Entry Transition Bond, the Person who is the beneficial owner of such Book-Entry Transition Bond, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

**Transition Bond Register** has the meaning specified in Section 2.05(a) of the Indenture.

**Transition Bond Registrar** has the meaning specified in Section 2.05(a) of the Indenture.

**Trust Indenture Act or TIA** means the Trust Indenture Act of 1939, as in force on the date hereof, unless otherwise specifically provided.

**Trustee** has the meaning specified in the first paragraph of the Indenture.



**Underwriting Agreement** means the Underwriting Agreement dated August 4, 2006, among the Seller, the Issuer and Goldman, Sachs & Co., on behalf of itself and as the representative of the several underwriters named therein.

**U.S. Government Obligations** means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

## APPENDIX B

### SERVICING CRITERIA

SERVICING CRITERIA TO BE ADDRESSED  
BY TRUSTEE IN ASSESSMENT OF COMPLIANCE

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
<b>General Servicing Considerations</b>		
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for the pool assets are maintained.	
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	
<b>Cash Collection and Administration</b>		
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days following receipt, or such other number of days specified in the transaction agreements.	X
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	X
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Securities Exchange Act.	
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are (A) mathematically accurate; (B) prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	
<b>Investor Remittances and Reporting</b>		
1122(d)(3)(i)	Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the Commission as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the servicer.	
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	X

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the servicer's investor records, or such other number of days specified in the transaction agreements.	X
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	X
	<b>Pool Asset Administration</b>	
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	
1122(d)(4)(v)	The servicer's records regarding the pool assets agree with the servicer's records with respect to an obligor's unpaid principal balance.	
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool assets (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	

**EXECUTION COPY**

**SERVICING AGREEMENT**

**BONDABLE TRANSITION PROPERTY SERVICING AGREEMENT**

between

**JCP&L TRANSITION FUNDING II LLC**  
Issuer

and

**JERSEY CENTRAL POWER & LIGHT COMPANY**  
Servicer

Dated as of August 10, 2006

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BONDABLE TRANSITION PROPERTY SERVICING AGREEMENT, dated as of August 10, 2006, by and between JCP&L TRANSITION FUNDING II LLC, a Delaware limited liability company, as Issuer (the "Issuer"), and JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation, in its capacity as Servicer (the "Servicer") of the Bondable Transition Property hereunder.

WITNESSETH:

WHEREAS the Servicer is willing to service all Transferred Bondable Transition Property purchased from the Seller by the Issuer;

WHEREAS, the TBC Collections initially will be commingled with other funds collected by the Servicer;

WHEREAS, certain parties may have an interest in such commingled collections, and such parties have entered into an Intercreditor Agreement as of the date hereof that allows the Servicer to allocate the collected, commingled funds according to each party's interest; and

WHEREAS the Issuer, in connection with its ownership of the Transferred Bondable Transition 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 and not otherwise defined herein shall have the meanings assigned to them in Appendix A of the Indenture dated as of August 10, 2006 between the Issuer and The Bank of New York, as Trustee (the "Trustee").

**Section 1.02 Other Definitional Provisions.**

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

(b) All terms defined in this Servicing Agreement have such defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof", "herein", "hereunder" and words of similar import when used in this Servicing Agreement shall refer to this Servicing Agreement as a whole and

not to any particular provision of this Servicing Agreement; Article, Section, Annex, Schedule and Exhibit references contained in this Servicing Agreement are references to Articles, Sections, Annexes, Schedules and Exhibits in or to this Servicing Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(d) The definitions contained in this Servicing Agreement are applicable to the singular as well as the plural forms of such terms.

## ARTICLE II

### APPOINTMENT AND AUTHORIZATION OF SERVICER

**Section 2.01 Appointment of Servicer; Acceptance of Appointment.** The Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Servicing Agreement on behalf of and for the benefit of the Issuer in accordance with and subject to the terms of this Servicing Agreement. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Servicing Agreement.

**Section 2.02 Authorization.** With respect to all or any portion of the Transferred Bondable Transition Property and in connection with the performance of its duties hereunder, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to:

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

(b) on behalf of itself, the Issuer, or both of them, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the BPU and the Securities and Exchange Commission ("SEC").

The Issuer shall furnish the Servicer with such executed documents as have been prepared by the Servicer for execution by the Issuer, and with such other documents as may be in the Issuer's possession, that are necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder. Upon the written request of the Servicer, the 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 Transferred Bondable Transition Property.** Notwithstanding any other provision herein, the Servicer and the Issuer agree that the Issuer shall have dominion and control over the Transferred Bondable Transition Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent of the Issuer with respect to the Transferred Bondable Transition Property. The Servicer hereby agrees that it shall not take any action hereunder that is not authorized by this Servicing Agreement, the Competition Act or the Financing Order, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer with respect to the Transferred Bondable Transition Property, in each case unless such action is required by law or court or regulatory order.



## ARTICLE III

### BILLING SERVICES

**Section 3.01 Duties of Servicer.** The Servicer, as agent for the Issuer (to the extent provided herein), shall have the following duties:

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

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

(ii) responding to inquiries by Customers, Third Parties, the BPU, or any federal, local or other state governmental authority with respect to the Transition Bond Charge;

(iii) delivering bills or arranging for the delivery of bills to Customers and Third Parties, accounting for TBC Collections, investigating and resolving delinquencies (and furnishing reports with respect to such delinquencies to the Issuer), processing and depositing collections, making periodic remittances and furnishing periodic reports to the Issuer, the Trustee and the Rating Agencies;

(iv) selling, as the agent for the Issuer, as its interest may appear, defaulted or written off accounts in accordance with the Servicer's usual and customary practices for accounts of its own electric service customers; and

(v) taking action in connection with Transition Bond Charge Adjustments as set forth herein.

Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Servicing Agreement shall be qualified in their entirety by the Competition Act and any other applicable law effective in New Jersey, the Financing Order, any BPU Regulations and the federal securities laws and the rules and regulations promulgated thereunder, including without limitation, Regulation AB, 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 procedures, duties and responsibilities set forth in Exhibit A hereto 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 immediately notify the Issuer, the Trustee and the Rating Agencies in writing of any laws or BPU Regulations hereafter promulgated that have or will reasonably be likely to have a material adverse effect on the Servicer's ability to perform its duties under this Servicing Agreement.

(c) *Other Information.* Upon the reasonable request of the Issuer, the Trustee or any Rating Agency, the Servicer shall provide to the Issuer, the 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 Transferred Bondable Transition Property (or related TBC Collections) to the extent it is reasonably available to the Servicer, that may be reasonably necessary and permitted by law for the Issuer, the Trustee or the Rating Agencies to monitor the performance by the Servicer hereunder. In addition, so long as any of the Transition Bonds of any Series are Outstanding, the Servicer shall provide to the Issuer and to the Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by the Servicer that is necessary to calculate the Transition Bond Charge.

(d) *Preparation of Reports, Certifications, etc.* The Servicer shall prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certifications or other documents required to be delivered or filed with the SEC (and/or any other governmental or regulatory agency) by the Issuer under the federal securities or other applicable laws or in accordance with the Basic Documents, including, but without limiting the generality of foregoing, filing with the SEC, if applicable, a copy or copies of (i) the certificates described in Section 3.05 and Annex 1 hereof (under Form 10-D or any other applicable form), (ii) the annual statements of compliance, attestation reports and other certifications described in Section 3.06 hereof, and (iii) the Annual Independent Certified Public Accountant's Report (and any attestation required under Regulation AB) described in Section 3.07 hereof. In addition, the appropriate officer or officers of the Servicer shall sign the Issuer's Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent required by, and consistent with, the federal securities laws and/or any other applicable law.

### **Section 3.02 Collection and Allocation of the Transition Bond Charge.**

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

(b) As specified in the Petition and the Financing Order, any amounts received by the Servicer from a Customer that represent a partial payment toward an outstanding balance will be applied in the following manner:

(i) to sales taxes with respect to the partial payment (which the Servicer collects as trustee for the State of New Jersey and not for its own account or for that of the Issuer);

(ii) pro rata to the Transition Bond Charge and the Servicer's other charges and taxes, where any of such charges are in arrears, based on their proportion to the Servicer's total charges in arrears for that period; and

(iii) pro rata to the Transition Bond Charge and the Servicer's other charges and taxes, where any of such charges are current charges, based on their proportion to the Servicer's total current charges assessed for that period.

JCP&L's other charges may include the Market Transition Charge, the MTC-Tax and all other charges that JCP&L and any Third Party may be authorized to bill and collect from Customers on account of the provision of electric service. If there is more than one series of transition bonds outstanding, whether they be Transition Bonds issued by the Issuer, or transition bonds issued by JCP&L Transition Funding LLC or any other issuer for which the Servicer is acting as servicer, the Servicer shall allocate partial payments among such series in accordance with the Intercreditor Agreement.

### **Section 3.03 Payment of TBC Collections.**

(a) With the exception of the Quarterly Servicing Fee, which the Servicer is entitled to withhold from TBC Collections pursuant to Section 5.07 hereof, the Servicer agrees to remit to the Trustee for deposit in the Collection Account TBC Collections for each Billing Month based on its estimated system-wide write-off percentage and the average number of days outstanding of bills, as in effect from time to time as follows:

(i) on each Monthly Remittance Date, for so long as the Servicer has satisfied the conditions of Section 5.11(b), the Servicer shall remit to the Trustee for each preceding Billing Month an amount equal to the amount of TBC Collections deemed to have been received during the preceding calendar month, based on the estimated system-wide write-off percentage and the average number of days outstanding of bills then in effect; and

(ii) on each Daily Remittance Date, for so long as the Servicer has not satisfied the conditions of Section 5.11(b), the Servicer shall remit to the Trustee an amount equal to the amount of TBC Collections deemed to have been received during the Business Day which is two Business Days preceding such Daily Remittance Date, including (for the first Daily Remittance Date following a period when the Servicer had been remitting on a Monthly Remittance Date) any amounts on deposit with the Servicer (for the Billing Month and any prior Billing Month) prior to such Daily Remittance Date during a period when the Servicer had been remitting on a Monthly Remittance Date based on the estimated system-wide write-off percentage and the average number of days outstanding of bills then in effect.

(b) On or before each Reconciliation Date, the Servicer will reconcile actual TBC Collections with estimated TBC Collections previously made to the Trustee in respect of (i) each Annual Reconciliation Date, each of the twelve Billing Months beginning fifteen months before the month in which such Reconciliation Date occurs (or from the first Series Issuance

Date, if less than fifteen months have elapsed), and (ii) each Monthly Reconciliation Date, the Billing Month that is three months prior to the Billing Month in which such Reconciliation Date occurs. In the event that there is a payment shortfall (i.e., the remittances of the estimated payments are less than the actual payments arising from the transition bond charges) with respect to the applicable Billing Months or Billing Month, as the case may be, the Servicer shall pay the shortfall to the Trustee for deposit into the Collection Account within two Business Days of that Reconciliation Date, or, if the Servicer remits TBC Collections on each Monthly Remittance Date in accordance with Section 5.11(b), on the next Monthly Remittance Date. In the event that there is an overpayment (i.e., the remittances of estimated payments exceed the amounts that should have been remitted based on the actual system-wide write-offs) for the applicable Billing Months or Billing Month, as the case may be, the Servicer may either (A) reduce the amount that the Servicer is required to remit to the Trustee for deposit in the Collection Account on the following Remittance Date (and, if necessary, succeeding Remittance Dates) by the amount of the overpayment or (B) direct the Trustee in writing to pay to the Servicer from the General Subaccount the amount of the overpayment, which upon payment shall become the property of the Servicer.

(c) In the event that the Servicer makes changes to its current computerized customer information system that would allow the Servicer to track actual TBC Collections and/or otherwise monitor payment and collection activity more efficiently or accurately than is currently being done under this Servicing Agreement, the Servicer may substitute actual remittance procedures for the estimated remittance procedures described above and otherwise modify the remittance procedures described above as may be appropriate in the interests of efficiency, accuracy, cost and/or system capabilities. However, the Servicer may not make any such modification or substitution that will materially and adversely affect the Transition Bondholders. The Servicer must also give notice to the Rating Agencies of any such computer system changes no later than sixty business days after the date on which all customer accounts are first billed on the new system.

(d) The Servicer and Issuer agree and acknowledge that, although the Servicer will remit estimated payments arising from the TBC Collections to the Trustee, the Servicer is not obligated to make any payments on the Transition Bonds. The Servicer agrees and acknowledges that it holds all TBC Collections collected by it for the benefit of the Issuer and that all amounts will be remitted by the Servicer in accordance with this Servicing Agreement without any surcharge, fee, offset, charge or other deduction and without making any claim to reduce its obligation to remit all TBC Collections collected by it, except (i) as set forth in clause (b) above, (ii) with respect to the Quarterly Servicing Fee that it may withhold pursuant to Section 5.07 hereof and (iii) with respect to late fees permitted by Section 5.07.

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

(a) manage, service, administer and make collections in respect of the Transferred Bondable Transition Property with reasonable care and in material compliance with applicable law and regulations, including all applicable BPU 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 standards, policies and procedures in performing its duties as Servicer that are customary in the electric power distribution industry in New Jersey;

(c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce and maintain the rights of the Issuer and the Trustee in respect of the Transferred Bondable Transition Property; and

(d) calculate the Transition Bond Charge in compliance with the Competition Act, the Financing Order and any applicable tariffs;

except where the failure to comply with any of the foregoing would not have a material adverse effect on the Issuer's or the Trustee's respective interests in the Transferred Bondable Transition Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of the Transferred Bondable Transition 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 have a material adverse effect on the Issuer's or the Trustee's respective interests in the Transferred Bondable Transition 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 Issuer and to the Trustee the statements specified in Annex 1 at the times indicated therein.

**Section 3.06 Annual Statement as to Compliance.** The Servicer shall deliver to the Issuer and the Trustee, on or before the earlier of (a) March 31 of each year or (b) with respect to each calendar year during which the Issuer's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, (i) a Servicer Officers' Certificate containing, and certifying as to, the statements of compliance required by Item 1123 (or any successor or similar items or rule) of Regulation AB, as then in effect and (ii) a Servicer Officers' Certificate containing, and certifying as to, the statements and assessment of compliance required by Item 1122(a) (or any successor or similar items or rule) of Regulation AB, as then in effect.

The Servicer shall use commercially reasonable efforts to obtain from each other party participating in the servicing function any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the extent required in connection with the filing of the annual report on Form 10-K; provided, however, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder.

**Section 3.07 Annual Independent Registered Public Accountants' Report.**

(a) The Servicer shall cause a firm of Independent registered public accountants (which may also provide other services to the Servicer or the Seller) to prepare, and the Servicer shall deliver to the Issuer, to the Trustee and to each Rating Agency, on or before the earlier of (a) March 31 of each year or (b) with respect to each calendar year during which the Issuer's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K

is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, 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 in connection with the Servicer's compliance with its obligations under this Servicing Agreement during the preceding calendar year (or, in the case of the first Annual Accountant's Report, the period of time from the Initial Transfer Date until December 31, 2006), identifying the results of such procedures and including any exceptions noted. In the event such accounting firm requires the Trustee or the Issuer to agree or consent to the procedures performed by such firm, the Issuer shall direct the Trustee in writing to so agree, it being understood and agreed that the Trustee will deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer, and the 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 Rules of the Public Company Accounting Oversight Board and shall include the attestation report required under Item 1122(b) of Regulation AB (or any successor or similar items or rule), as then in effect.

**Section 3.08 Bondable Transition Property Documentation.** To assure uniform quality in servicing the Transferred Bondable Transition Property and to reduce administrative costs, the Servicer shall keep on file, in accordance with its customary procedures, all Bondable Transition Property Documentation, it being understood that the Servicer is acting solely as the servicing agent and custodian for the Issuer with respect to the Bondable Transition 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 Transferred Bondable Transition Property and the Bondable Transition 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 Transition Bond Charge and the estimated TBC Collections from time to time remitted to the Trustee pursuant to Section 3.03 and to enable the Issuer to comply with this Servicing Agreement and the Indenture. The Servicer shall conduct, or cause to be conducted, periodic audits of the Bondable Transition Property Documentation held by it under this Servicing Agreement and of the related accounts, records and computer systems, in such a manner as shall enable the Issuer and the Trustee, as pledgee of the Issuer, to verify the accuracy of the Servicer's record keeping. The Servicer shall promptly report to the Issuer and to the Trustee any failure on the Servicer's part to hold the Bondable Transition Property Documentation and maintain its accounts, records and computer systems as herein provided and shall 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 Issuer or the Trustee of the Bondable Transition Property Documentation. The Servicer's duties to hold the Bondable Transition Property Documentation on behalf of the Issuer set forth in this Section 3.09, to the extent such Bondable Transition 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 Servicing Agreement or (ii) no Transition Bonds of any Series are Outstanding.

(b) *Maintenance of and Access to Records.* The Servicer shall maintain the Bondable Transition Property Documentation at 76 South Main Street, Akron, Ohio 44308 or at such other office as shall be specified to the Issuer and to the Trustee by written notice not later than thirty days prior to any change in location. The Servicer shall permit the Issuer and the 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 Transferred Bondable Transition Property, the Transition Bond Charge and the Bondable Transition Property Documentation. The failure of the Servicer to provide access to such information as a result of an obligation or applicable law (including BPU Regulations) prohibiting disclosure of information regarding customers shall not constitute a breach of this Section 3.09(b).

**Section 3.10 Defending Transferred Bondable Transition Property Against Claims.** The Servicer shall institute and maintain any action or proceeding necessary to compel performance by the BPU or the State of New Jersey of any of their obligations or duties under the Competition Act or the Financing Order with respect to the Transferred Bondable Transition 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 Competition Act, the Financing Order or the Restructuring Order (to the extent it affects the rights of Transition Bondholders or the validity or value of the Transferred Bondable Transition Property), as the case may be, the Bondable Transition Property or the rights of the holders of Transferred Bondable Transition Property if such repeal, modification or supplement would be adverse to the Transition Bondholders. The costs of any such action reasonably allocated by the Servicer to the Transferred Bondable Transition Property shall be payable from TBC Collections as an Operating Expense in accordance with the Indenture. The Servicer's obligations pursuant to this Section 3.10 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to the 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 TRANSITION BOND CHARGE ADJUSTMENTS**

**Section 4.01 Transition Bond Charge Adjustments.** The Servicer shall perform the calculations and take the actions relating to adjusting the Transition Bond Charge, as set forth in Section 5 of Annex 1, at the times indicated therein.

## ARTICLE V

### THE SERVICER

**Section 5.01 Representations and Warranties of Servicer.** The Servicer makes the following representations and warranties as of the Transfer Date, on which the Issuer has relied and will rely in acquiring Transferred Bondable Transition Property and in entering into this Servicing Agreement. These representations and warranties shall survive the execution and delivery of this Servicing Agreement, the sale, transfer, assignment and conveyance of the Transferred Bondable Transition Property to the Issuer pursuant to the Sale Agreement and the pledge thereof to the Trustee pursuant to the Indenture.

(a) *Organization and Good Standing.* The Servicer is a corporation duly organized and in good standing under the laws of the State of its incorporation, with the corporate power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Servicing Agreement, and has the power, authority and legal right to service the Transferred Bondable Transition Property.

(b) *Due Qualification.* The Servicer is duly qualified to do business as a foreign corporation in good standing, 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 Transferred Bondable Transition Property as required by this Servicing Agreement) requires such qualifications, licenses or approvals (except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues, properties or prospects or on the transactions contemplated by this Servicing Agreement).

(c) *Power and Authority.* The Servicer has the corporate power and authority to execute and deliver this Servicing Agreement and to carry out its terms; and the execution, delivery and performance of this Servicing Agreement have been duly authorized by the Servicer by all necessary corporate action.

(d) *Binding Obligation.* This Servicing Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, subject to bankruptcy, receivership, fraudulent transfer, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(e) *No Violation.* The consummation of the transactions contemplated by this Servicing Agreement and the fulfillment of the terms hereof will not: conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the articles of incorporation, by-laws or other constituent documents of the Servicer, or any indenture, material agreement or other material instrument to which the Servicer is a party or by which it is bound; or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, material



agreement or other material instrument; or violate any law or any order, rule or regulation applicable to the Servicer of any court or of any federal or State regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties.

(f) *Approvals.* Except for filings with the BPU for adjusting the Transition Bond Charge pursuant to Section 4.01 and Annex 1, the filing of financing statements under the New Jersey UCC and the Delaware UCC, and the filing of continuation filings under the New Jersey UCC and the Delaware UCC, no approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Servicing 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.

(g) *Reports and Certificates.* Each report and certificate delivered in connection with any filing made with the BPU by the Servicer on behalf of the Issuer with respect to the Transition Bond Charge or Transition Bond Charge 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; provided, however, that to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, this 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 or facts known to the Servicer on the date such report or certificate is delivered.

(h) *No Proceedings.* There are no proceedings or investigations pending or, to the Servicer's best knowledge, threatened before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties:

(i) seeking to prevent the issuance of the Transition Bonds or the consummation of any of the transactions contemplated by this Servicing Agreement or any of the other Basic Documents;

(ii) except as disclosed by the Servicer to the Issuer (or as disclosed in filings with the Commission made by the Servicer), seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability against the Servicer of, this Servicing Agreement or any of the other Basic Documents; or

(iii) relating to the Servicer and which might materially and adversely affect the federal or State income tax attributes of the Transition Bonds.

#### **Section 5.02 Indemnities of Servicer; Release of Claims.**

(a) The Servicer shall be liable as such in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Servicing Agreement.

(b) The Servicer shall indemnify the Issuer and the Trustee (for itself and on behalf of the Transition 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, bad faith or gross negligence in the performance of its duties or observance of its covenants under this Servicing Agreement or the Servicer's reckless disregard of its obligations and duties under this Servicing Agreement;

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

(iii) litigation and related expenses relating to its status and obligations as Servicer (other than any proceedings the Servicer is required to institute under this Servicing Agreement);

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 unless (x) such action, proceeding or investigation exposes the Indemnified Person to a risk of criminal liability or forfeiture, (y) the Servicer and such Indemnified Person have a conflict of interest in their respective defenses of such action, proceeding or investigation or (z) there exists at the time the Servicer would assume such defense an ongoing Servicer Default. 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's indemnification obligations under Section 5.02(b) for events occurring prior to the removal or resignation of the Trustee or the termination of this Servicing Agreement shall survive the resignation or removal of the Trustee or the termination of this Servicing Agreement and shall include reasonable costs, fees and expenses of investigation and litigation (including the Issuer's and the Trustee's reasonable attorneys' fees and expenses).

(d) Except to the extent expressly provided for in the Basic Documents (including the Servicer's claims with respect to the Quarterly Servicing Fees and the Seller's claim for payment of the purchase price of the Transferred Bondable Transition Property), the Servicer hereby releases and discharges the Issuer (including its Member, Managers, officers, employees and agents, if any) and the Trustee (including its respective officers, directors, employees 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 Transferred Bondable Transition 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.

**Section 5.03 Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person or Persons:**

(a) into which the Servicer may be merged or consolidated and which succeeds to all or a significant part of the electric distribution business of the Servicer,

(b) which results from the division of the Servicer into two or more Persons and which succeeds to all or a significant part of the electric distribution business of the Servicer,

(c) which may result from any merger or consolidation to which the Servicer shall be a party and which succeeds to all or a significant part of the electric distribution business of the Servicer,

(d) which may, in a transaction or a series of related transactions, succeed to the properties and assets of the Servicer substantially as a whole and which, in a transaction or a series of related transactions, succeeds to all or a significant part of the electric distribution business of the Servicer, or

(e) which may otherwise succeed to all or a significant part of the electric distribution business of the Servicer,

which Person or Persons in any of the foregoing cases executes or execute an agreement of assumption to perform every obligation of the Servicer under this Servicing Agreement, shall be the successor or successors to the Servicer hereunder without the execution or filing of any document or any further act by any of the parties to this Servicing 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 that, 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 Issuer, the Trustee and the Rating Agencies a Servicer Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section 5.03 and that all conditions precedent, if any, provided for in this Servicing Agreement relating to such transaction have been complied with;

(iii) the Servicer shall have delivered to the Issuer, the Trustee and the Rating Agencies an Opinion of Counsel either:

- (A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including New Jersey UCC filings and Delaware UCC filings, that are necessary fully to preserve and protect the interests of the Trustee in the Transferred Bondable Transition 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 the then current ratings on any of the Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies; and

(v) the Servicer shall have delivered to the Issuer, the Trustee and the Rating Agencies 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 Servicer, the Issuer, the Trustee or the then existing Transition Bondholders.

The Servicer shall not consummate any transaction referred to in clauses (a), (b), (c), (d) or (e) 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 or Persons acquires or acquire the properties and assets of the Servicer substantially as a whole and becomes or become the successor or successors to the Servicer in accordance with the terms of this Section 5.03, then upon the satisfaction of all of the other conditions of this Section 5.03, the Servicer shall automatically and without further notice be released from its obligations hereunder.

**Section 5.04 Assignment of Servicer's Obligations.** Subject to the provisions of Section 5.06, the Servicer may assign any or all of its obligations hereunder to any successor if either (i) prior written notice has been provided to the Rating Agencies and the then current ratings on any of the Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies and any other conditions 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, in such capacity, shall not be liable to the Issuer, the Trustee, or the Transition Bondholders except as provided under this Servicing Agreement, for any action taken or for refraining from the taking of any action pursuant to this Servicing Agreement or for good faith 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 gross negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under this Servicing 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 Trustee or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Servicing Agreement.

Except as provided in this Servicing Agreement, the Servicer, in such capacity, shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its duties to service the Transferred Bondable Transition Property in accordance with this Servicing Agreement or related to its indemnification obligations, and that in its reasonable opinion may cause it to incur any expense or liability.

**Section 5.06 JCP&L Not to Resign as Servicer.** Subject to the provisions of Sections 5.03 and 5.04, JCP&L shall not resign from the obligations and duties imposed on it as Servicer under this Servicing Agreement except upon a determination that the performance of its duties under this Servicing Agreement shall no longer be permissible under applicable law. Any such resignation shall not be effective until approved by the BPU. Notice of any such determination permitting the resignation of JCP&L shall be communicated to the Issuer, the 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 Issuer and the Trustee concurrently with or promptly after such notice. No such resignation shall be permitted if such resignation will result in the reduction or withdrawal of the then current ratings on any Outstanding Transition Bond. 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 Quarterly Servicing Fee.** The Issuer agrees to pay the Servicer the Quarterly Servicing Fee with respect to all Series of Transition Bonds. On each Monthly Remittance Date that coincides with a Payment Date, the Servicer shall be entitled to withhold the amount of the Quarterly Servicing Fee from TBC Collections as compensation under this Servicing Agreement unless the Trustee has notified the Servicer in writing that the Issuer does not hold sufficient funds to pay amounts owed in such month to the Trustee. For so long as JCP&L is the Servicer, the Quarterly Servicing Fee shall be \$57,000. The Servicer shall be entitled to retain as additional compensation net investment income on TBC Collections related to the Transferred Bondable Transition Property received by the Servicer during any Collection Period prior to remittance to the Collection Account and the late fees, if any, paid by Customers to the Servicer. The Issuer and the Servicer agree and acknowledge that the foregoing fees constitute a fair and reasonable price for the obligations to be performed by the Servicer. In no event shall the Trustee be liable for any Quarterly Servicing Fee.

**Section 5.08 Servicer Expenses.** Except as otherwise expressly provided herein, the Servicer shall be required to pay all expenses incurred by it in connection with its activities hereunder, including fees and disbursements of independent accountants and counsel, taxes imposed on the Servicer and expenses incurred in connection with reports to the Transition Bondholders and shall not be entitled to any additional payment or reimbursement therefor.

**Section 5.09 Subservicing.** The Servicer may at any time appoint a subservicer to perform all or any portion of its obligations as Servicer hereunder; provided, however, that written notice has been given to the Rating Agencies and the Trustee and the then current ratings on any Outstanding Transition Bonds will not be withdrawn or downgraded by the Rating Agencies; and provided, further, that the Servicer shall remain obligated and be liable to the Issuer, the Trustee and the Transition Bondholders for the servicing and administering of the Transferred Bondable Transition 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 Transferred Bondable Transition 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 Issuer, the Trustee or the Transition Bondholders shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 5.06.

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

**Section 5.11 Remittances.**

(a) The Servicer shall remit TBC Collections (from whatever source) in accordance with Section 3.03(a)(ii), and all proceeds of other Collateral of the Issuer, if any, received by the Servicer, to the Trustee for deposit pursuant to the Indenture, not later than each Daily Remittance Date. The Servicer shall promptly remit any Indemnity Amounts paid or received by it immediately to the Trustee for deposit pursuant to the Indenture.

(b) Notwithstanding the foregoing clause (a), as long as

(i) JCP&L or any successor to JCP&L's electric distribution business remains the Servicer,

(ii) no Servicer Default has occurred and is continuing,

(iii) (A) JCP&L, or any Successor Servicer to JCP&L's electric distribution business, maintains a short-term rating of 'A-1' or better by S&P, 'P-1' or better by Moody's, and 'F-1' or better by Fitch,

or

(B) any additional conditions or limitations imposed by the Rating Agencies are complied with and each

Rating Agency has notified the Servicer, the Issuer and the Trustee that the monthly remittance will not result in a downgrade or withdrawal of the then current ratings of any Outstanding Transition Bonds (except that with regard to Moody's and Fitch it will be sufficient to provide ten days notice of any such action),

(iv) the BPU has approved Servicer remittances on a monthly basis and

(v) the Servicer has delivered to the Rating Agencies an Opinion of Counsel addressing certain "true sale" and "non-consolidation" issues in form and substance reasonably satisfactory to such Rating Agencies,

the Servicer need not make the daily remittances required by clause (a), but in lieu thereof, shall remit all TBC Collections (from whatever source) in accordance with Section 3.03(a)(i), and all proceeds of other Collateral of the Issuer, if any, received by the Servicer during any Collection Period to the Trustee for deposit pursuant to the Indenture, not later than the corresponding Monthly Remittance Date.

**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 Trustee in the Transferred Bondable Transition Property and other Collateral, including all filings required under the New Jersey UCC and the Delaware UCC relating to the transfer of ownership of or a security interest in the Transferred Bondable Transition Property by the Seller to the Issuer or the security interest granted by the Issuer to the Trustee in the Transferred Bondable Transition Property and other Collateral. The Servicer shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

## ARTICLE VI

### SERVICER DEFAULT

**Section 6.01 Servicer Default.** If any one of the following events (a "Servicer Default") occurs and is continuing:

(a) any failure by the Servicer to remit to the Trustee, on behalf of the Issuer, any required remittance that continues unremedied for a period of five Business Days after the date it is required to be paid; 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 Servicing Agreement or any other Basic Document to which the Servicer, as such, is a party, which failure:

(i) materially and adversely affects the Transferred Bondable Transition Property or the rights of the Transition Bondholders; and

(ii) continues unremedied for a period of sixty days after the date on which written notice of such failure has been given to the Servicer by the Issuer, the Trustee or the Holders of not less than twenty-five percent of the Outstanding principal balance of the Transition Bonds of all Series and Classes, acting together as a single class, or after discovery of such failure by an officer of the Servicer, as the case may be; or

(c) any representation or warranty made by the Servicer in this Servicing Agreement proves to have been incorrect when made, which has a material adverse effect on the Issuer or the Transition Bondholders and which material adverse effect continues unremedied for a period of sixty days after the date on which written notice thereof has been given to the Servicer by the Issuer, the Trustee or the Holders of not less than twenty-five percent of the Outstanding principal balance of the Transition Bonds of all Series and Classes, acting together as a single class, 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, the Trustee, with the written consent of the Holders of a majority of the Outstanding principal balance of the Transition Bonds of all Series and Classes, voting together as a single class, by notice then given in writing to the Servicer (a "Termination Notice"), may terminate all the rights and obligations (other than the indemnification obligations set forth in Section 5.02 hereof, the obligation under Section 6.04 to continue performing its functions as Servicer until a Successor Servicer is appointed and the right to receive the requisite portion of the Quarterly Servicing Fees) of the Servicer under this Servicing Agreement. In addition, upon a Servicer Default because of a failure to make required remittances, the Issuer and the Trustee shall each be entitled to apply to the BPU or any court of competent jurisdiction for sequestration and payment to the Trustee of revenues arising with respect to the Transferred Bondable Transition Property.

On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Servicing Agreement, whether with respect to the Transferred Bondable Transition Property, the related Transition Bond 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 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 Bondable Transition Property Documentation and related documents, or otherwise. The predecessor Servicer shall cooperate with the Successor Servicer, the Trustee and the Issuer in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Servicing 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



Transferred Bondable Transition Property or the related Transition Bond Charge. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Bondable Transition Property Documentation to the Successor Servicer. All reasonable costs and expenses (including attorneys' fees and expenses) incurred in connection with transferring the Bondable Transition Property Documentation to the Successor Servicer and amending this Servicing 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. Termination of JCP&L as Servicer shall not terminate JCP&L's rights or obligations under the Sale Agreement.

**Section 6.02 Notice of Servicer Default.** The Servicer shall deliver to the Issuer, the Trustee and each Rating Agency promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice in a Servicer Officers' Certificate of any event or circumstance which, with the giving of notice or the passage of time or both, would become a Servicer Default under Section 6.01. If any Outstanding Transition Bonds are listed on the Luxembourg Stock Exchange, such notice shall also be given by publication in a daily newspaper in Luxembourg, if the rules of the Luxembourg Stock Exchange so require.

**Section 6.03 Waiver of Past Defaults.** The Trustee, with the written consent of the Holders of not less than a majority of the Outstanding principal balance of the Transition Bonds of all Series and Classes, voting together as a single class, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required remittances to the Trustee of TBC Collections in accordance with Section 3.03. 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 Servicing 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 Servicing Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Servicing Agreement and shall be entitled to receive the requisite portion of the Quarterly Servicing Fees, 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, the Trustee, as assignee of the Issuer, may, at the sole expense of the Issuer, appoint a Successor Servicer, with the consent of the Holders of not less than a majority of the Outstanding principal balance of the Transition Bonds of all Series and Classes, voting together as a single class, and the Successor Servicer shall accept its appointment by a written assumption in form acceptable to the Issuer and the Trustee. If, within thirty days after the delivery of the Termination Notice, a new Servicer has not been appointed and accepted such appointment, the Trustee, at the sole expense of the Issuer, may petition the BPU or a court of competent jurisdiction to appoint a Successor Servicer under this Servicing 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 Competition Act, the BPU Regulations, the Financing Order and this Servicing Agreement;

(ii) prior notice has been given to the Rating Agencies and the then current ratings on any Outstanding Transition Bonds shall not be withdrawn or downgraded by the Rating Agencies; and

(iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Servicing Agreement.

(b) Upon appointment, the Successor Servicer shall be the successor in all respects to the predecessor Servicer under this Servicing 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 Quarterly Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Servicing Agreement.

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

(d) A Successor Servicer may bring an action against a particular Customer for nonpayment of the Transition Bond Charge, or terminate service for failure to pay the Transition Bond Charge, only if such Successor Servicer is the electric public utility with respect to that Customer.

(e) All expenses incurred by the Trustee in connection with the appointment of a Successor Servicer shall be reimbursed to the Trustee, pursuant to Section 8.02(d) of the Indenture.

**Section 6.05 Cooperation With Successor.** The Servicer covenants and agrees with the 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) Upon five Business Days' prior written notice to the Rating Agencies, this Servicing Agreement may be amended by the Servicer and the Issuer with the written consent of the Trustee upon receipt of an Issuer Order, but without the consent of the Transition Bondholders, to:

(i) cure any ambiguity;

- (ii) correct or supplement any provision in this Servicing Agreement;
- (iii) add any provisions to or change in any manner or eliminate any of the provisions of this Servicing Agreement; or
- (iv) modify in any manner the rights of the Transition Bondholders;

provided, that such action will not, as certified in a Servicer Officers' Certificate of the Servicer delivered to the Issuer and to the Trustee and the Managers, adversely affect in any material respect the interest of any Holder of Transition Bonds then Outstanding.

(b) This Servicing Agreement may be amended by the Servicer and the Issuer with five Business Days' prior written notice to the Rating Agencies and with the written consent of the Trustee and the consent of the Holders of not less than a majority of the Outstanding principal balance of the Transition Bonds of all Series and Classes affected thereby, voting together as a single class, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Servicing Agreement or of modifying in any manner the rights of the Transition Bondholders; provided, however, no amendment adopted in this manner may increase or decrease, or accelerate or delay the timing or collection of the Transition Bond Charge, or reduce the percentage of Transition Bondholders required to consent to amendments.

No amendment of the provisions of this Servicing Agreement relating to the Servicer's remittance and Transition Bond Charge Adjustment obligations will be permitted absent confirmation from the Rating Agencies that such amendment will not result in a reduction or withdrawal of the then existing ratings of any Outstanding Transition Bonds by the Rating Agencies (except that with regard to Moody's and Fitch it will be sufficient to provide ten days' prior notice of the amendment).

(c) The Issuer may also amend the servicing procedures provided in this Servicing Agreement solely to address changes to the Servicer's method of calculating payments of the Transition Bond Charge received as a result of changes to the Servicer's current computerized information system, if the amendment does not have a material adverse effect on the Holders of Transition Bonds then Outstanding, with prior written notice to the Trustee and the Rating Agencies, but without the consent of the Trustee, any Rating Agency or any Transition Bondholder. These changes may include changes that would replace remittances calculated by estimation procedures with remittances of TBC Collections actually received.

Prior to the execution of any amendment to this Servicing Agreement, the Issuer and the 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 Servicing Agreement and the Opinion of Counsel referred to in Section 3.06(b) of the Indenture. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Servicing Agreement or otherwise.

**Section 7.02 Notices.** Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Servicing Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class 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 first-class mail with proper postage for first-class mail prepaid:

(a) in the case of the Servicer, at Jersey Central Power & Light Company, 76 South Main Street, Akron, Ohio 44308;

(b) in the case of the Issuer, at JCP&L Transition Funding II LLC, 103 Foulk Road, Suite 202, Wilmington, Delaware 19803, with a copy to JCP&L Transition Funding II LLC c/o FirstEnergy Service Company, 76 South Main Street, Akron, Ohio 44308;

(c) in the case of the Trustee, at its Corporate Trust Office;

(d) in the case of Moody's, at Moody's Investors Service, Inc., ABS Monitoring Department, 99 Church Street, New York, New York 10007;

(e) in the case of S&P, at Standard & Poor's, Structured Finance, ABS Surveillance Corp., 55 Water Street, 41<sup>st</sup> Floor, New York, New York 10041-0003, Fax: 212-438-2664; and

(f) in the case of Fitch, at Fitch, Inc., One State Street Plaza, New York, New York 10004, Attention: ABS Surveillance;

or, 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 Servicing Agreement are solely for the benefit of the Servicer, the Issuer and the Trustee, on behalf of itself and the Transition Bondholders, and nothing in this Servicing Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in any Collateral or under or in respect of this Servicing Agreement or any covenants, conditions or provisions contained herein.

**Section 7.04 Severability.** Any provision of this Servicing 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 Servicing 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 SERVICING AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

**Section 7.08 Assignment to the Trustee.**

(a) The Servicer hereby acknowledges and consents to any pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture of all right, title and interest of the Issuer in, to and under the Transferred Bondable Transition Property and other Collateral owned by the Issuer and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Trustee.

(b) In no event shall the Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Issuer.

(c) The Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

**Section 7.09 Nonpetition Covenants.** Notwithstanding any prior termination of this Servicing Agreement or the Indenture, the Servicer hereby covenants and agrees that it shall not, prior to the date which is one year and one day after the satisfaction and discharge of the Indenture, including, without limitation, any amounts owed to third-party credit enhancers, and any amounts owed by the Issuer under Interest Rate Swap Agreements, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the 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 Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

**Section 7.10 Termination.** This Servicing Agreement shall terminate upon satisfaction and discharge of the Indenture.

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

JCP&L TRANSITION FUNDING II LLC,  
as Issuer

By: 

Name: Randy Scilla

Title: Assistant Treasurer

JERSEY CENTRAL POWER & LIGHT  
COMPANY,  
as Servicer

By: 

Name: Randy Scilla

Title: Assistant Treasurer

Acknowledged and Accepted:

**The Bank of New York,**  
as Trustee

By: \_\_\_\_\_  
Name: Catherine Cerilles  
Title: Assistant Vice President

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

**JCP&L TRANSITION FUNDING II LLC,**  
as Issuer

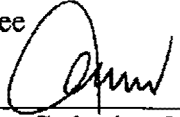
By: \_\_\_\_\_  
Name: Randy Scilla  
Title: Assistant Treasurer

**JERSEY CENTRAL POWER & LIGHT  
COMPANY,**  
as Servicer

By: \_\_\_\_\_  
Name: Randy Scilla  
Title: Assistant Treasurer

Acknowledged and Accepted:

**The Bank of New York,**  
as Trustee

By:  \_\_\_\_\_  
Name: Catherine Cerilles  
Title: Assistant Vice President

## ANNEX 1

### TO

### SERVICING AGREEMENT

The Servicer agrees to comply with the following with respect to JCP&L Transition Funding II LLC, as Issuer:

**Section 1. Definitions.** Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Appendix A to the Indenture dated as of August 10, 2006 between the Issuer and The Bank of New York, as Trustee.

**Section 2. Trustee and Servicer Payment Date Statements.** At least one Business Day before each date on which distributions to the Trustee and Servicer are to be made pursuant to Sections 8.02(d) and (e) of the Indenture, the Servicer shall provide the Trustee with a statement setting forth the amounts to be distributed to each of the Trustee and Servicer pursuant to such Sections.

**Section 3. Payment Date Statements.** At least one Business Day before each Payment Date, the Servicer shall provide to the Issuer, the Trustee, each Rating Agency and, for so long as any Transition Bonds are listed on the Luxembourg Stock Exchange, any listing agent in Luxembourg, a statement indicating:

1. the amount to be paid to Transition Bondholders of each Series and Class in respect of principal on such Payment Date in accordance with Section 8.02 of the Indenture and each Series Supplement thereto;
2. the amount to be paid to Transition Bondholders of each Series and Class in respect of interest on such Payment Date in accordance with Section 8.02 of the Indenture and each Series Supplement thereto;
3. the Transition Bond Balance and the Projected Transition Bond Balance and the transition bond balance for each Series and Class as of that Payment Date (in each case, after giving effect to the payments on such Payment Date);
4. the amount on deposit in the Overcollateralization Subaccount for each Series and the Scheduled Overcollateralization Level for each Series, as of that Payment Date (after giving effect to the transfers to be made from or into the Overcollateralization Subaccount on such Payment Date);
5. the amount on deposit in the Capital Subaccount for each Series as of that Payment Date (after giving effect to the transfers to be made from or into the Capital Subaccount on such Payment Date);



6. the amount, if any, 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);
7. the amounts to be paid to each Swap Counterparty (on a gross and a net basis, separately stated) under the related Interest Rate Swap Agreement on or before such Payment Date;
8. the amounts paid to the Trustee since the preceding Payment Date pursuant to Section 8.02(d) of the Indenture;
9. the amounts paid to or withheld by the Servicer since the preceding Payment Date pursuant to Section 8.02(e) of the Indenture; and
10. the amount of any other transfers and payments to be made on such Payment Date pursuant to Sections 8.02(d), (e), (f), (g) and (i) of the Indenture.

**Section 4. Remittance Date Statements.** At least one Business Day before each Remittance Date, and in the case of Daily Remittances, on the last Remittance Date of such month, the Servicer shall prepare and furnish to the Issuer and the Trustee a statement setting forth the aggregate amount remitted or to be remitted by the Servicer to the Trustee (net of any payments owed to the Servicer in accordance with Section 3.03(b) of the Servicing Agreement) for deposit on such Remittance Date pursuant to the Indenture.

**Section 5. Transition Bond Charge Adjustments.**

- (a) Prior to each Calculation Date, the Servicer shall calculate
  - (i) the Transition Bond Balance as of such Calculation Date (a written copy of which shall be delivered by the Servicer to the Trustee within five Business Days following such Calculation Date) and
  - (ii) the revised Transition Bond Charge with respect to the Transferred Bondable Transition Property in respect of each Adjustment Date such that the Servicer projects that TBC Collections therefrom allocable to the Issuer will be sufficient so that:
    - (A) the Transition Bond Balance on the Payment Date immediately preceding the next Adjustment Date will equal the Projected Transition Bond Balance as of such date or, if earlier with respect to any Series or Class of Transition Bonds, as of the Payment Date immediately preceding the Expected Final Payment Date therefor;
    - (B) the amount on deposit in the Overcollateralization Subaccount on the Payment Date immediately preceding the next Adjustment Date will equal the Scheduled

Overcollateralization Level for such date or, if earlier with respect to any Series or Class of Transition Bonds, as of the Payment Date immediately preceding the Expected Final Payment Date therefor;

- (C) the amount on deposit in the Capital Subaccount on the Payment Date immediately preceding the next Adjustment Date will equal its required level for such date or, if earlier with respect to any Series or Class of Transition Bonds, as of the Payment Date immediately preceding the Expected Final Payment Date therefor;
  - (D) the amount on deposit in the Reserve Subaccount on the Payment Date immediately preceding the next Adjustment Date, will equal zero; and
  - (E) the TBC Collections will provide for (i) amortization of the remaining outstanding principal balance of each Series in accordance with the Expected Amortization Schedule therefor, (ii) payment of interest on each Series when due and payment of any amounts (other than termination or breakage amounts) under each Interest Rate Swap Agreement, (iii) payment of all Operating Expenses of the Issuer when due in accordance with the Indenture and (iv) deposits to the Overcollateralization Subaccount such that the balance therein will equal the Scheduled Overcollateralization Level on each Payment Date.
- (b) On each Calculation Date, the Servicer shall file an Adjustment Request with the BPU. This filing shall include the data specified in the Petition and the Financing Order.
  - (c) On each Adjustment Date, the Servicer shall
    - (i) take all reasonable actions and make all reasonable efforts to effectuate all adjustments to the Transition Bond Charge either approved by the BPU or effective on an interim basis pending final approval and
    - (ii) promptly send to the Trustee copies of all material notices and documents relating to such adjustments.
  - (d) On each Adjustment Date, the Servicer shall provide Moody's with a schedule indicating any changes to the Transition Bond Charge.
  - (e) If deemed appropriate by the Servicer to protect Transition Bondholders and to remedy a significant and recurring

variance between actual and expected TBC Collections, as authorized by the Financing Order, the Servicer shall make "non-routine" adjustments to the Transition Bond Charge and the MTC-Tax (as defined in the Financing Order) to accommodate material changes to the methodology described in Attachment E-3 to Revised Exhibit E-Supplement of the Petition. Such filings shall be made at least thirty days prior to the proposed effective date of the proposed adjustments. The Servicer shall provide notice of such non-routine adjustment and resulting change to the Transition Bond Charge to Fitch.

## EXHIBIT A

### SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures (and to consider and use the criteria specified in Item 1122(d) of Regulation AB (or any successor regulation), in effect from time to time, to assess its compliance with applicable servicing criteria.

#### **Section 1. Definitions.**

- (a) Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Appendix A to the Indenture dated as of August 10, 2006 between the Issuer and The Bank of New York, as Trustee.
- (b) Whenever used in this Exhibit A, the following words and phrases shall have the following meanings:

**Adjustment Request** has, with respect to the Issuer, the meaning given to such term in Appendix A.

**Applicable MDMA** means, with respect to each Customer, the meter data management agent or Third Party, if any, 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 Transition Bond Charges** means the amounts billed to Customers pursuant to the Transition Bond 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 opening bills and the Closing Bills issued to Customers or Third Parties by JCP&L.

**Budget Payment Plan** means a levelized payment plan offered by JCP&L, 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, JCP&L bills the residential Customer for actual use in that month, adjusted for any excess or deficit the Customer has paid JCP&L over the prior eleven months. If the Customer owes JCP&L \$4 or more over the normal budget amount, that Customer has the option of 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.

**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 Transition Bond Charge, and will become obligated to the Servicer for the Billed Transition Bond Charges, all in accordance with applicable BPU Regulations and the Financing Order.

**Net Write-Off Percent** means the number (expressed as a percent) equal to

- (i) the amount by which Write-Offs attributable to a particular billing period exceed Write-Off recoveries attributable to such billing period, divided by
- (ii) the total billed revenue attributable to such billing period.

**Servicer Policies and Practices** means, with respect to the Servicer's duties under this Exhibit A, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself.

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

**Variables** includes the following variables used in calculating Adjustment Requests:

- (i) the estimated Net Write-Off Percent; and
- (ii) the projected billed consumption to which the Transition Bond Charge applies.

**Write-Offs** means arrears that remain unpaid by Customers generally as of ninety days after the issuance of the Closing Bills containing such charges, unless payment arrangements are made and are being kept.

## **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 its best 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 thirty days or as provided in the applicable tariff.

- (b) *Meter Reading.* At least once each calendar month, 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 BPU Regulations.
- (c) *Cost of Metering.* The 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 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 BPU Regulations) at least once each calendar month and shall determine therefrom each Customer's individual charge relating to the Transition Bond Charge to be included on such Customer's Bill pursuant to the Financing Order and BPU Regulations.

### **Section 4. Billing.**

The Servicer shall implement the Transition Bond Charge as of the Transition Bond 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 Transition Bond Charge, accruing until all payments of principal and interest on each Series of Transition Bonds and all other costs and expenses related to such Series 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 Transition Bond Charge as a general practice once approximately every thirty days or such other time period as allowed by the BPU, at the same time, with the same frequency and on the same Bill as that containing the

Servicer's own charges 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 Issuer, the Trustee and the Rating Agencies as soon as practicable, and in no event later than sixty Business Days after such modification goes into effect; provided, however, that

- (i) the Servicer may not make any modification that will materially adversely affect the Transition Bondholders and
- (ii) the Rating Agencies shall receive prior notice of any modification that would change the frequency with which Bills are issued or would change any tariff charged.

(b) *Format.*

- (i) Each Bill to a Customer shall contain the charge corresponding to the Transition Bond Charge owed by such Customer for the billing period. The Customer's Bill will contain in text or in a footnote, text substantially to the effect that a portion of the monthly charge representing that Bondable Transition Property is being collected on behalf of the Issuer as owner of the Bondable Transition Property.
- (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 Transition Bond Charge to be remitted by the Servicer to the Issuer.
- (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 BPU Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by the Competition Act, other applicable law or BPU 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, its Servicer Policies and Practices with respect to its own charges 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 its own charges or

- (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use to present its own charges to its 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 BPU Regulations, or, if not prescribed by applicable BPU Regulations, by such means as are mutually agreed upon by the Servicer and the Applicable Third Party and are consistent with BPU 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 its own charges.

#### **Section 6. Collections; Payment Processing; Remittance.**

##### **(a) *Collection Efforts; Policies; Procedures.***

- (i) The Servicer shall use reasonable efforts to collect all Billed Transition Bond 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 comparable assets that it services for itself or others, including, as follows:
  - (A) The Servicer shall prepare and deliver overdue notices to Customers and Third Parties in accordance with applicable BPU 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 BPU Regulations. All late payment charges collected shall be payable to and retained by the Servicer as a component of its compensation under the Servicing Agreement, and the 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 BPU Regulations and Servicer Policies and Practices.
  - (D) The Servicer shall adhere to and carry out disconnection policies in accordance with the Competition Act, other



applicable law and BPU Regulations and Servicer Policies and Practices.

- (E) The Servicer may employ the assistance of collections agents in accordance with applicable BPU Regulations and Servicer Policies and Practices.
  - (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 BPU Regulations and Servicer Policies and Practices and according to the priorities set forth in Sections 6(b)(ii), (iii) and (iv) of this Exhibit A.
  - (G) The Servicer shall promptly take all necessary action in accordance with applicable BPU Regulations to terminate billing of Transition Bond Charges by Third Parties whose payments are twenty-two or more days delinquent, or as the then current BPU Regulations and any billing services agreements allow, and to resume, prospectively, to collect the Billed Transition Bond Charges directly from the applicable Customers. At such time, the Servicer will apply the Third Party's security deposit to satisfy charges billed previously by the Third Party which remain outstanding, including outstanding Transition Bond Charges.
- (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 Transition Bondholders; and
  - (C) would comply with applicable law;

provided, however, that notwithstanding anything in the Servicing Agreement or this Exhibit A to the contrary, the Servicer is authorized to write off any Billed Transition Bond Charges in accordance with its Servicer Policies and Practices.

- (iii) The Servicer shall accept payment from Customers in respect of Billed Transition Bond Charges in such forms and methods and at

such times and places as it accepts for payment of its own charges. The Servicer shall accept payment from Third Parties in respect of Billed Transition Bond Charges in such forms and methods and at such times and places as the Servicer and each Third Party shall mutually agree in accordance with applicable BPU 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 hold all over-payments for the benefit of the Issuer and shall apply such funds 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 TBC Collections received from such Customers as if such Customers had been billed for the Transition Bond 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 Transferred Bondable Transition Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries with respect to the Transferred Bondable Transition Property and the amounts from time to time remitted to the Collection Account in respect of the Transferred Bondable Transition 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 Transferred Bondable Transition Property and amounts owed by such Customers in respect of the Transition Bond Charge.
- (d) *Investment of TBC Collections.* Prior to remittance on the applicable Remittance Date, the Servicer may invest TBC Collections received at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of the Servicer.
- (e) *Calculation of Collections; Determination of Aggregate Remittance Amount.*
  - (i) On or before each Remittance Date, the Servicer shall calculate the total TBC Collections received by the Servicer from or on behalf of Customers during prior Collection Periods in respect of all previously Billed Transition Bond Charges.
  - (ii) In accordance with Section 4.01 of the Servicing Agreement and Annex 1, the Servicer shall update the Variables and shall prepare Adjustment Requests to reflect the updated Variables when required to do so pursuant to Annex 1.
- (f) *Remittances.*
  - (i) The Servicer shall make remittances to the Issuer in accordance with Section 5.11 of the Servicing Agreement.
  - (ii) In the event of any change of account or change of institution affecting the remittances, the 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
    - (B) five Business Days prior to the next applicable Remittance Date.

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

In the Matter of the Community Solar Energy :  
Pilot Program : BPU Docket No. QO18060646  
:

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the aforementioned document upon the individuals listed below.

Service by UPS Overnight Delivery and Electronic Mail as follows:

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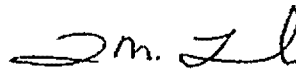
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