

Utility Debt Securitization Authority Restructuring Bonds, Series 2017

Representations and Warranties Presale Appendix

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Related Presale Report

[Utility Debt Securitization Authority Restructuring Bonds, Series 2017 \(October 2017\)](#)

The representations, warranties and enforcement mechanisms (RW&Es) available to investors that were disclosed in the offering documents for Utility Debt Securitization Authority Restructuring Bonds, Series 2017, and relate to the underlying asset pool are substantially comparable to those contained in U.S. Utility Tariff ABS transactions, as described in Fitch's special report titled "[Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions](#)," dated May 2016.

The transaction's offering documents do not include the following RW&Es that Fitch considers typical for U.S. Utility Tariff ABS transactions:

This transaction contains reps and warranties in the offering documents that are typical for similar securities and has additional reps and warranties denoted in this report with an asterisk (*).

Legality: Under the laws of the relevant state and the laws of the U.S. in effect on the closing date: (i) the financing order pursuant to which the rights and interest of the seller have been created has become final and non-appealable and is in full force and effect and is irrevocable by its terms; (ii) the utility tariff bonds are entitled to the protection provided by the laws authorizing their issuance and the financing order, and the issuance advice letter is not revocable by the relevant state commission or authority governing the utility; (iii) the utility tariff is in full force and effect and is not subject to modification by the relevant state commission or authority governing the utility except for true-up adjustments made in accordance with the laws authorizing the issuance of the utility tariff bonds; (iv) the process by which the financing order was approved and the financing order, issuance advice letter and tariff comply with all applicable laws, regulations and the constitution of the state; (v) the issuance advice letter and the tariff have been filed in accordance with the financing order and an officer of the seller has provided the certification to the relevant state commission or authority governing the utility as required by the issuance advice letter.

Constitutionality: The state could not constitutionally repeal or amend the laws authorizing the issuance of the utility tariff bonds or take any other action contravening the state pledge and creating an impairment, unless such impairment clearly is a reasonable and necessary exercise of the state's sovereign powers based upon reasonable conditions and of a character reasonable and appropriate to the emergency or other significant and legitimate public purpose justifying such action. Under the takings clauses of the state's constitution or the U.S. Constitution, the state would be required to pay just compensation to bondholders, if the state's legislature repealed or amended the laws authorizing the issuance of the utility tariff bonds or took any other action contravening the state pledge, if a court determines doing so constituted a permanent appropriation of a substantial property interest of the bondholders of the recovery property and deprived the bondholders of their reasonable expectations arising from their investments in the utility tariff bonds.

Valid Contract: Under the laws of the state, the pledge of the state governing authority or commission: (i) creates a binding contractual obligation of the state for the purposes of the contract clauses of the constitution of the relevant state and the U.S. Constitution; and (ii) provides a basis upon which the bondholders could challenge successfully any action of the state governing

authority or commission of a legislative character, including the rescission or amendment of the financing order, that such court determines violates the pledge of the state governing authority or commission in a manner that substantially reduces, limits or impairs the value of the recovery property or the utility tariff charges, prior to the time that the utility tariff bonds are paid in full and discharged, unless there is a judicial finding that the state governing authority or commission's action clearly is exercised for a public end and is reasonably necessary to the accomplishment of that public end so as not to be arbitrary, capricious, or an abuse of authority.

Assumptions: Based on information available to the seller on the closing date, the assumptions used in calculating the tariff charges as of the closing date are reasonable and are made in good faith; however, notwithstanding the foregoing, the seller makes no representation or warranty, express or implied, that amounts actually collected arising from those tariff charges will in fact be sufficient to meet the payment obligations on the related tariff bonds or that the assumptions used in calculating such tariff charges will in fact be realized.

Composition: Upon the effectiveness of the financing order, the rights and interests of the seller under the financing order (except the seller's right to seek to recover certain remaining costs of issuance in the course of its ordinary base rate filings), including the right to impose, collect and receive the tariff charges established in the financing order, became recovery property.

Events of Default

- a. default in the observance or performance in any material respect of any covenant or agreement of the Issuer made in the Indenture (other than a covenant or agreement, a default in the observance or performance of which is specifically described elsewhere in this section) or any representation or warranty of the Issuer made in the Indenture or in any certificate or other writing delivered pursuant to the Indenture or in connection therewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured or the circumstances or condition in respect of which such misrepresentation or warranty was incorrect shall not have been eliminated or otherwise cured, as the case may be, for a period of 30 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 25% of the Outstanding Amount of the 2017 Restructuring Bonds, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture or (ii) the date that the Issuer has actual knowledge of the default,

Failure to pay principal or the redemption price in accordance with the Expected Amortization Schedule because collections from Customers were not sufficient to make such payments shall not constitute an Event of Default under the Indenture; provided, however, that failure to pay the entire unpaid principal amount of the 2017 Restructuring Bonds of a tranche upon the Final Maturity Date of the tranche shall constitute an Event of Default, and the entire unpaid principal amount of the 2017 Restructuring Bonds shall be due and payable, if not previously paid, on any other date on which an Event of Default shall have occurred and be continuing, if the Trustee or the Holders representing not less than a majority of the Outstanding Amount of the 2017 Restructuring Bonds have declared the 2017 Restructuring Bonds to be immediately due and payable on acceleration.

Remedies—Acceleration

If an Event of Default under the Indenture should occur and be continuing, then and in every such case the Trustee or the Holders representing not less than a majority of the Outstanding Amount of the 2017 Restructuring Bonds may declare all the 2017 Restructuring Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee if given by Holders), and upon any such declaration the unpaid principal amount of the 2017 Restructuring Bonds, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

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, the Holders representing a majority of the Outstanding Amount of the 2017 Restructuring Bonds, by written notice to the Issuer and the Trustee, may rescind such declaration and its consequences if:

- (i) the Issuer has paid or deposited with the Trustee a sum sufficient to pay (A) all sums paid or advanced by the Trustee thereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel and (B) all payments of principal of and interest on all 2017 Restructuring Bonds and all other amounts that would then be due thereunder or upon such 2017 Restructuring Bonds if the Event of Default giving rise to such acceleration had not occurred, and
- (ii) all Events of Default under the Indenture, other than the nonpayment of the principal of the 2017 Restructuring Bonds that has become due solely by such acceleration, have been cured or waived as provided in the Indenture.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

Remedies—Trustee’s Rights

If an Event of Default under the Indenture shall have occurred and be continuing, the Trustee may do one or more of the following (subject to the provisions of the Indenture):

- (a) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the 2017 Restructuring Bonds or under the Indenture with respect thereto, whether by declaration of acceleration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such 2017 Restructuring Bonds moneys adjudged due,
- (b) institute Proceedings from time to time for the complete or partial foreclosure of the Indenture with respect to the 2017 Collateral,
- (c) exercise any remedies of a secured party under the Securitization Law or 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 2016B Restructuring Bonds,
- (d) sell the 2017 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
- (e) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Servicer under or in connection with, and pursuant to the terms of, the Servicing Agreement;

provided, however, that the Trustee may not sell or otherwise liquidate any portion of the 2017 Collateral following an Event of Default, other than an Event of Default described in clauses (a) and (b) under “Events of Default” above, unless (A) the Holders of 100% of the Outstanding Amount of the 2017 Restructuring Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Holders are sufficient to discharge in full all amounts then due and unpaid upon such 2017 Restructuring Bonds for principal and interest after taking into account payment of all amounts due prior thereto pursuant to the priorities set forth above under “Collection Account and Subaccounts,” or (C) the Trustee determines that the 2017 Collateral will not continue to provide sufficient funds for all payments on the 2017 Restructuring Bonds as they would have become due if the 2017 Restructuring Bonds had not been declared immediately due and payable, and the Trustee obtains the written consent of Holders of at least a majority of the Outstanding Amount of the 2017 Restructuring Bonds. In determining such sufficiency or insufficiency with respect to clause (B) or (C), the Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the 2017 Collateral for such purpose.

If the Trustee collects any money, it shall pay out such money in accordance with the priorities set forth in “SECURITY FOR THE 2017 RESTRUCTURING BONDS—Description of Indenture Accounts.”

The rights and remedies conferred upon or reserved to the Trustee or the Bondholders by the Indenture is not exclusive to any right or remedy and is cumulative and in addition to every other right or remedy.

Remedies—Optional Possession of 2017 Collateral

If the 2017 Restructuring Bonds have been declared to be due and payable under the Indenture following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Trustee may, but need not, elect to maintain possession of the 2017 Collateral. In determining whether to maintain possession of the 2017 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 2017 Collateral for such purpose.

Remedies—Limitation of the Rights of Holders

No Holder of any 2017 Restructuring Bond shall have any right to institute any Proceeding, judicial or otherwise, with respect to the Indenture, or to avail itself of any remedies provided in the Securitization Law or to utilize or enforce the statutory lien or to avail itself of the right to foreclose on the 2017 Collateral or otherwise enforce the Lien and the security interest on the 2017 Collateral with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (a) such Holder previously has given written notice to the Trustee of a continuing Event of Default under the Indenture,
- (b) the Holders of not less than a majority of the Outstanding Amount of the 2017 Restructuring Bonds have made written request to the Trustee to institute such Proceeding in respect of such Event of Default under the Indenture in its own name as Trustee under the Indenture,
- (c) such Holder or Holders have offered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request,
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings, and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of at least a majority of the Outstanding Amount of the 2017 Restructuring Bonds;

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 the 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 the Indenture, except in the manner therein provided.

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 2017 Restructuring Bonds, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of the Indenture.

Seller Representation and Warranties

- *the Seller is duly organized and validly existing as a corporate municipal instrumentality, body corporate and politic and a political subdivision of the State of New York, in good standing under the laws of the State of New York, with the requisite power and authority to own its properties and conduct its business as currently owned or conducted, and has the requisite power and authority to own the 2017 Restructuring Property,
- *the sale of the 2017 Restructuring Property and the consummation of the transactions contemplated by the Securitization Law and the Sale Agreement and the fulfillment of the terms thereof do not (a) conflict with or result in a breach of any of the terms and provisions of nor constitute (with or without notice or lapse of time) a default under the Seller's organizational documents or any material indenture, agreement or other instrument to which the Seller is a party or by which it is bound, (b) result in the

creation or imposition of any lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents) or (c) violate any existing law or any existing order, rule or regulation applicable to the Seller of any government authority having jurisdiction over the Seller or its properties,

- *no portion of the 2017 Restructuring Property has been sold, transferred, assigned or pledged by the Seller to any Person other than the Issuer. Upon the sale, the Seller has transferred, sold and conveyed the 2017 Restructuring Property to the Issuer, free and clear of all Liens, except for any Lien that may be granted under the Basic Documents.

Servicer Representations and Warranties

- In the Servicing Agreement, the Servicer will represent and warrant, as of the Issuance Date, among other things, that:
- the Servicer is a corporation, duly organized and is in good standing in the state of its organization, with the requisite corporate or other power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted by it, and has, the requisite corporate power and authority to service the 2017 Restructuring Property and hold the 2017 Restructuring Property and the 2017 Restructuring Property Documentation as custodian,
- the Servicer is duly qualified to do business and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the 2017 Restructuring Property as required by the Servicing Agreement) shall require such qualifications, licenses or approvals (except where the failure to qualify or to obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or adversely affect the servicing of the 2017 Restructuring Property),
- the Servicer has the requisite corporate power and authority to execute and deliver the Servicing Agreement and carry out the terms of the Servicing Agreement; and the execution, delivery and performance of the terms of the Servicing Agreement have been duly authorized by all necessary corporate action on the part of the Servicer,
- the Servicing Agreement constitutes a legal, valid and binding obligation of the Servicer, enforceable against it in accordance with its terms, subject to applicable insolvency, bankruptcy, receivership, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law,
- the consummation of the transactions contemplated by the Servicing Agreement and the fulfillment of the terms thereof do not conflict with, or result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under the organizational documents of the Servicer or any material indenture or other agreement or instrument to which the Servicer is a party or by which it is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument; nor violate any existing law or any existing order, rule or regulation applicable to the Servicer of any federal or state court or regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties,
- no approval, authorization, consent, order or other action of, or filing with, any federal or state court or regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of the Servicing Agreement, the performance by the Servicer of the transactions contemplated thereby or the fulfillment by the Servicer of the terms thereof, except those that have been obtained or made and those that the Servicer is required to make in the future,
- there are no Proceedings pending or, to the Servicer's knowledge, threatened, and no investigations pending or threatened, before any federal or state court or regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties involving or relating to the Servicer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of the Servicing Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by the Servicing Agreement, or (iii) seeking any determination or ruling that might materially adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, the Servicing Agreement, and

each report and certificate delivered in connection with the Issuance Advice Letter or delivered in connection with any filing made to the Authority by the Servicer with respect to the 2016B Restructuring Charges or True-Up Adjustments will constitute a representation and warranty by the Servicer that each such report and certificate, as the case may be, is true and correct in all material respects; but to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

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