

**TERM SHEET FOR
PROSPECTIVE OPERATOR FINANCING PROPOSAL**

*This term sheet (the “**Financing Term Sheet**”) is provided for discussion purposes only and is not a commitment by the Puerto Rico Electric Power Authority (“**PREPA**”) or any affiliate to enter into any financing transaction contemplated thereby (the “**Financing Transaction**”). The terms and conditions below summarize the material terms and conditions that the Puerto Rico Public-Private Partnerships Authority (the “**Authority**”) and PREPA believe should be included in any financing provided by the Selected Proponent in connection with the contract (the “**O&M Contract**”) resulting from the Request for Proposals 2019-2 (the “**RFP**”) issued by the Authority. It is the intention to use the terms and conditions below as the basis for further discussion and negotiation. Capitalized terms not defined herein shall have the meaning set forth in the RFP.*

This Financing Term Sheet is subject to the terms and conditions set forth in the RFP, and neither this Financing Term Sheet nor any of its contents may be used for any other purpose without the prior written consent of the Authority. No legal obligation or liability shall arise between the parties with respect to the subject matter hereof unless and until the definitive documentation regarding the Financing Transaction shall have been finalized in mutually acceptable form, approved by the parties’ respective governing bodies and by the relevant Puerto Rico governmental authorities and executed by each party, and then only in accordance with the terms and conditions thereof. The terms of each of the O&M Contract and the Financing Transaction are intended to meet the requirements of the safe harbor set forth in Revenue Procedure 2017-13 issued by the U.S. Internal Revenue Service, and thereby preserve the tax exempt status of certain of PREPAs indebtedness.

1. Borrower	PREPA, as legal owner of the electric power transmission and distribution system and related facilities (the “ T&D System ”), and any successor thereof.
2. Facility	Multi-draw senior secured term loan facility (the “ Facility ”) for a principal amount of not less than \$[•] in the aggregate, may be comprised of two or three separate facilities: <ol style="list-style-type: none"> 1. Tranche A – in the aggregate maximum amount not exceeding \$[•]; 2. Tranche B – in the aggregate maximum amount not exceeding \$[•]; and 3. Tranche C – in the aggregate maximum amount not exceeding \$[•].
3. Security and Ranking	<p>Loans disbursed under <u>Tranche A</u>, to the extent permitted by applicable law, will be secured by a pledge of the funds committed by any U.S. federal agency for the restoration of the T&D System.¹</p> <p>Loans disbursed under <u>Tranche B</u> will be secured by a contractual first lien on the net revenues of PREPA (i.e., the excess of all moneys received by PREPA in connection with its ownership of the T&D system over current expenses during a particular period); <u>provided</u> that, for the avoidance of doubt, the lien shall not include any money or other property received or to be received on account of the transition charge imposed to support legacy debt or pension obligations established under or in connection with PREPA’s Title III Plan or any other money or other property that are the result of any other dedicated charges in connection therewith.</p> <p>Loans disbursed under <u>Tranche C</u> will be secured by an Issuer Funding Charge (as defined in the “Securitization Term Sheet” relating to PREPA’s Title III Plan, as may be amended and finalized in definitive documentation for PREPA’s Title III Plan).²</p>
4. Draws	Minimum draws of not less than US\$5M (or, if less, in the unused amount of the multi-draw term loan commitment).
5. Term	Minimum five years from closing date (or such greater term to maturity as specified in the bidder’s proposal).

¹ Form and structure of security interest subject to further discussions. For the avoidance of doubt, the federal government will not be a party to the Facility.

² The Securitization Term Sheet, attached to PREPA’s Recovery Plan Term Sheet as Annex A, is subject to approval by the Title III Court.

6. Availability Period	Draws can be made on the Facility at any time and from time to time, subject to certain conditions precedent, for a period commencing on the closing date and terminating [●] months from the closing date.
7. Use of Proceeds from Tranche A	Proceeds from any disbursement under <u>Tranche A</u> may only be used to fund capital expenditures related to the T&D System solely to the extent such capital expenditures qualify for coverage or reimbursement from funds anticipated from any agency of the U.S. federal government.
8. Use of Proceeds from Tranche B and Tranche C	Proceeds from any disbursement under <u>Tranche B</u> and <u>Tranche C</u> may only be used to fund (i) specified capital expenditures related to the T&D System, (ii) any other capital requirements permitted by the terms of the “Securitization Term Sheet” relating to PREPA’s Title III Plan and (iii) fees and expenses under the Facility, in each case included in the budget or long-term plan approved by the operator (and, to the extent required, any other governmental authority) for the T&D System.
9. Interest Rate³	For Tranche A loans, [●]% per annum. For Tranche B loans, [●]% per annum. For Tranche C loans, [●] % per annum.
10. Amortization	None, bullet repayment on maturity of all outstanding amounts. Tranches may be structured with a “turbo” feature providing for mandatory prepayment from available pledged revenues, such as may be available to secure Tranche C loans financed by Issuer Funding Charges.
11. Optional Prepayment	Upon notice, amounts outstanding under the Facility may be voluntarily repaid by the Borrower at any time and from time to time without premium or penalty.
12. Mandatory Prepayment for Tranche A	Loans disbursed under Tranche A shall be repaid prior to maturity by PREPA promptly following the receipt of funds previously committed by the relevant U.S. federal government agency related to the purpose of which such loans were disbursed.
13. Additional Prepayments for Tranche B and Tranche C	Additional customary prepayment events for a facility of similar nature and duration, plus: <ul style="list-style-type: none"> (i) Mandatory, upon early termination of O&M Contract; and (ii) Optional, at the Borrower’s sole discretion, from proceeds of incurrence of other financial debt by PREPA other than working capital and other financial indebtedness to be agreed and permitted by the terms of the securitization bonds issued as part of PREPA’s Title III Plan. <p>For any early termination of the O&M Contract due to an Operator default, PREPA will have [●] years from the effective date of such termination to repay the debt under the Facility, which will continue to accrue interest at the contract rate until payment is made; <u>provided</u> that PREPA will have set-off rights for amounts owed by Operator under the O&M Contract.</p> <p>For any early termination of the O&M Contract due to an Owner default, PREPA will have [●] years (which shall be shorter than the period provided for an Operator default) from the effective date of such termination to repay the debt under the Facility, which will continue to accrue interest at the contract rate until payment is made.</p>
14. Conditions Precedent to Closing	Customary closing conditions for a facility of similar nature and duration, plus: <ul style="list-style-type: none"> (i) the entry into the O&M Contract; (ii) the Title III Plan having become effective after the issuance of a final, confirmation order by the Title III Court approving, among other things, the O&M Contract, the

³ For purposes of complying with QMA provisions, interest rate needs to be a market rate of return and comparable to similar instruments.

	<p>terms and conditions of the Facility and the validity of the security interest granted under the Facility;</p> <p>(iii) the issuance of securitization bonds under PREPA’s Restructuring Support Agreement;</p> <p>(iv) the delivery of a legal opinion from qualified tax counsel that the Facility does not affect QMA-compliance of the O&M Contract;</p> <p>(v) the receipt of confirmation that the net revenues from the T&D System are projected to be sufficient to cover all costs associated with Tranche B and Tranche C, including debt service; and</p> <p>(vi) the receipt of confirmation from PREPA that the incurrence of debt under the Facility is in compliance with any requirement under the securitization bonds issued in connection with PREPA’s Title III Plan.</p>
15. Specific Conditions Precedent to Draws under Tranche A	<p>Customary conditions precedents for the disbursement of funds under similar facilities, plus:</p> <p>(i) evidence that funds anticipated to be received from any agency of the U.S. federal government have been validly committed by such agency; and</p> <p>(ii) the designated recipient of the funds has agreed, to the extent permitted by applicable law, to turn over (and if permissible, pledge) such funds to the repayment of the loans incurred under Tranche A.</p>
16. Reps and Warranties	<p>Customary reps and warranties for a facility of similar nature and duration, including specific reps and warranties regarding approvals from all relevant governmental authorities under applicable law (including the FOMB) and compliance with the then-applicable PREPA Fiscal Plan.⁴</p>
17. Covenants	<p>Customary covenants for a facility of similar nature and duration, plus any covenants required to comply with the “Securitization Term Sheet” relating to PREPA’s Title III Plan.</p>
18. Events of Default	<p>Customary events of default for a facility of similar nature and duration (with thresholds and grace periods to be agreed in the definitive Facility documentation).</p>
19. Governing Law	<p>Puerto Rico.</p>
20. Jurisdiction	<p>Commonwealth Court of First Instance, San Juan Part.</p>
21. Fees	<p>No upfront or arranging fees. Commitment fee of [●]% of any undrawn amount.</p>
22. Assignment	<p>The Facility may be assigned by the lender in whole or in part only with the prior consent of PREPA and/or the Government of Puerto Rico (which consent shall not be unreasonably delayed or withheld).</p>
23. Other Provisions	<p>Customary provisions relating to indemnity, reimbursement of certain costs and expenses, among other provisions reasonably satisfactory to PREPA and the Operator.</p>

⁴ The “Fiscal Plan” refers to the Puerto Rico Electric Power Authority Fiscal Plan, as certified by the FOMB on August 1, 2018, as it may be amended, supplemented or modified from time to time.