

RECOVERY PLAN TERM SHEET

This Recovery Plan Term Sheet does not address all material terms that would be required in definitive documents and in order to consummate the transactions set forth in this Recovery Plan Term Sheet, which terms shall be mutually agreed upon. Nothing in this Term Sheet shall constitute a binding commitment of any Party or constitute an admission or representation of any fact or circumstance or an admission of any liability or waiver of any right or claim. Unless and until the execution of definitive documentation, the Parties shall retain their respective rights. If executed, the terms of such definitive documentation will control. This Recovery Plan Term Sheet does not constitute (nor shall it be construed as) an offer with respect to any securities.

*Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Preliminary Restructuring Support Agreement to which this Recovery Plan Term Sheet is annexed (the “**RSA**” or the “**Agreement**”).*

AD HOC GROUP EXCHANGE	<ul style="list-style-type: none"> ▪ The members of the Ad Hoc Group and any other holders of PREPA Bonds subject to the RSA (the “Supporting Holders”) shall commit to exchange all of their uninsured bonds for Securitization Bonds (as defined below) on the terms and in the manner set forth below.
SECURITIZATION BONDS	<ul style="list-style-type: none"> ▪ The Puerto Rico Electric Power Authority Revitalization Corporation or a new bankruptcy-remote special purpose vehicle as may be agreed upon shall issue Tranche A and Tranche B Securitization Bonds, secured by the Transition Charge.
TRANSITION CHARGE	<ul style="list-style-type: none"> ▪ The Transition Charge allocable to the outstanding power revenue and revenue refunding bonds issued by PREPA under the 1974 Trust Agreement shall be set at the following levels: <ul style="list-style-type: none"> - 2.636 c/kWh for Years 1-5 - 2.729 c/kWh for Years 6-10 - 2.868 c/kWh in Year 11 - Starting year 12, annual 2.500% increases over the prior year’s Transition Charge ▪ The Transition Charge allocable to the outstanding power revenue and revenue refunding bonds issued by PREPA under the 1974 Trust Agreement shall be capped at 4.348 c/kWh
EXCHANGE RATIO¹	<ul style="list-style-type: none"> ▪ 67.5% of PREPA Bonds to Tranche A Bonds ▪ 10.0% of PREPA Bonds to Tranche B Bonds
TRANCHE A BONDS	<ul style="list-style-type: none"> ▪ Tranche A Bonds will extend beyond the stated maturity if not paid in full on the stated maturity, until paid in full, including unpaid interest. ▪ Unpaid interest on the Tranche A Bonds will accrete.
TRANCHE B BONDS	<ul style="list-style-type: none"> ▪ PIK interest to accrue annually starting in Year 1. ▪ Tranche B Bonds shall receive 100% of total excess cash flow after repayment of the Tranche A Bonds. Potential recovery on the Tranche B Bonds shall be

¹ Initial Claims include unpaid interest through July 1, 2018 and will continue to accrue through the effective date of the exchange. The Transition Charge shall increase to cover accrual of claims and waiver and support fees after July 1, 2018.

	<p>capped at the exchange amount, plus PIK interest.</p> <ul style="list-style-type: none"> Tranche B Bonds will mature at stated 45 year maturity, and all unpaid debt service will expire unpaid.
MATURITY	<ul style="list-style-type: none"> Tranche A Bonds: 40 year stated maturity, subject to early mandatory redemption from sweep of Transition Charge cash flow (35 year expected maturity under Oversight Board's May 2018 projections, which may change) Tranche B Bonds: 45 year stated maturity
COUPON	<ul style="list-style-type: none"> Tranche A Bonds: 5.25% cash interest Tranche B Bonds: 7.00% PIK interest / 8.75% PIK interest to the extent the Tranche B Bonds are not tax-exempt (solely for portion that is not tax-exempt)
TAX TREATMENT	<ul style="list-style-type: none"> Tranche A Bonds: Tax-exempt Tranche B Bonds: Parties will work together in good faith to try to obtain tax-exempt status for Tranche B Bonds or as great a portion thereof as possible; provided, however, that failure of such good faith effort to obtain tax-exempt status for Tranche B Bonds shall not constitute grounds for any party to terminate the RSA.
CALL PROTECTION	<ul style="list-style-type: none"> Tranche A Bonds: Callable after 5 to 10 years, to be mutually agreed upon Tranche B Bonds: Callable after period of time and on terms to be mutually agreed upon
DEBT SERVICE RESERVE FUND ("DSRF")	<ul style="list-style-type: none"> The DSRF shall be set at 5% of Tranche A Bonds. DSRF will be funded over approximately 7 years from the Transition Charge, unless the parties mutually agree upon a different financing structure for the DSRF, including a surety bond on terms to be mutually agreed upon.
PAYMENT DEFAULT	<ul style="list-style-type: none"> No default on either Tranche A or Tranche B Bonds for failure to pay scheduled debt service, so long as full amount collected under the Transition Charge (minus administrative fees) is used to pay debt service. Interest shall continue to accrue (and pay-in-kind, as applicable) and accrete at the original Coupon rate. The Transition Charge shall extend, and interest shall continue to accrue (and pay-in-kind, as applicable) at the original Coupon rate, until the later of (1) the date necessary to pay the Tranche A Bonds in full, even if past their stated maturity, and (2) the earlier of (i) the stated maturity of the Tranche B Bonds, and (ii) the date on which the Tranche B Bonds are paid in full.
REMEDIES	<ul style="list-style-type: none"> Remedies will be mutually agreed upon and will include, at a minimum, the right to replace the Transition Charge servicer and the right to enforce the Securitization Bonds' trust agreement, the servicing agreement, and non-impairment covenants. Requirements for replacement servicer to be mutually agreed upon as part of Definitive Documentation.

TREATMENT PROTECTIONS	<ul style="list-style-type: none"> ▪ To be mutually agreed upon ▪ MFN clause for deals struck with other legacy debt holders, to be mutually agreed upon and to apply to monoline insurers, fuel line lenders and, subject to a materiality threshold to be mutually agreed upon, certain other claims ▪ The Ad Hoc Group shall not object if other legacy debt holders (including fuel line lenders) receive the same treatment with the same terms as the Ad Hoc Group is receiving, so long as such treatment does not adversely affect the Ad Hoc Group's recoveries. Adjustments to coupons and par are authorized, so long as total cash flow payable each year remains the same (with proportional adjustments for the varying claim sizes of varying legacy debt claims), and so long as such treatment shall not adversely affect the Ad Hoc Group's recoveries.
SECURITIZATION PROTECTIONS	<ul style="list-style-type: none"> ▪ To be mutually agreed upon
DEMAND PROTECTIONS	<ul style="list-style-type: none"> ▪ To be mutually agreed upon
ADMINISTRATIVE AND WAIVER/SUPPORT FEES	<ul style="list-style-type: none"> ▪ Terms, structure, and cap on administrative fees to be mutually agreed upon ▪ Reimbursement of Ad Hoc Group members' reasonable fees and expenses through effective date of transaction, with monthly reimbursement to begin upon execution of the RSA. ▪ Contingent upon consummation of the proposed exchange transaction, in exchange for (i) waiver of claims unique to the issuance of the 2016 PREPA Bonds and (ii) participation, the Ad Hoc Group shall receive a waiver and support fee in the form of Tranche A Bonds initially equal to 1.72% of the par amount of PREPA Bonds held by the Ad Hoc Group as of July 1, 2018 (and accruing after July 1, 2018 at the same rate as the Ad Hoc Group's 2016 PREPA Bonds). ▪ Additional support (and potential waiver) fee in the form of Tranche A Bonds initially equal to 0.95% of par amount of total outstanding PREPA bonds (and accruing after July 1, 2018 at same rate as the 2016 PREPA Bonds), to be provided to Supporting Holders, including additional signatories, in manner to be mutually agreed upon.
IMPLEMENTATION	<ul style="list-style-type: none"> ▪ Timeline and implementation mechanics to be mutually agreed upon