

Annex A

Solus Facility – Term Sheet

Consistent with Amendment No. 9 to the Forbearance Agreement, to which this Term Sheet is attached, this Term Sheet creates an obligation for PREPA and the Forbearing Creditors to work collaboratively and in good faith to reach agreement on a recovery plan incorporating the terms described herein. This Term Sheet does not set forth all of the terms that would be included in definitive documents, and the proposed financing contemplated hereby is subject in all respects to completion of legal and financial due diligence, further negotiation between the parties, execution of definitive documents and obtaining any necessary approvals. Nothing in this Term Sheet shall constitute an admission or representation of any fact or circumstance or an admission of any liability or waiver of any right or claim, and nothing contained herein may be used or offered into evidence in any legal, administrative or other proceeding. The rights of all parties are subject to the agreement and execution of definitive documentation in all respects. Unless and until the execution of definitive documentation, the parties shall retain their respective rights and any negotiation of and/or agreement to this Term Sheet shall not be deemed a waiver of any rights of any party. If executed, the terms of such definitive documentation shall control.

<p>General: Lenders under the existing Solus Credit Agreement (the “Existing Credit Agreement”) shall have the option to elect either of the following alternatives (or a combination thereof):</p> <p>(a) Amend and restate the Credit Agreement as set forth below to provide for an amended and restated term loan facility (the “Facility”) and/or</p> <p>(b) Exchange all or part of their indebtedness under the Existing Credit Agreement into Securitization Bonds (subject to the terms and conditions set forth in the Ad Hoc Group Term Sheet, including with respect to the 85% exchange ratio and interest-only period).</p>	
Amended and Restated Bank Facility	Revolving facility under the Existing Credit Agreement is converted into a term loan facility.
Amount	US\$146,041,914.24
Interest Rate	5.75% per annum, paid in cash quarterly in arrears
Maturity	6 years from the date of issuance
Amortization	Quarterly amortization, based on a fixed payment schedule (see <u>Schedule A</u> below).
Security/Ranking	Unsecured. “Current Expense” status (as defined in the Trust Agreement governing the Bonds) of the Facility and any refinancing thereof with respect to the Borrower’s power revenue bonds that are not exchanged for securitized bonds (the “ Bonds ”) and other obligations that are not presently defined as Current Expenses. Status to be confirmed by amendment to Trust Agreement executed by 60% of bondholders prior to restructuring effectiveness.
Tax-Exempt Status	Parties agree to work collaboratively in good faith to make Facility tax-exempt under U.S. federal and Puerto Rico law on terms mutually

	acceptable to PREPA and the Lenders.
Other Loan Terms	Representations and warranties, covenants (including financial maintenance covenants) and events of default to be based on Existing Credit Agreement, with revisions and additions to be mutually agreed in light of final agreed capital structure and business plan of restructured PREPA as part of restructuring support agreement (“ RSA ”).
Governing Law	Commonwealth
Jurisdiction	Exclusive jurisdiction of SDNY and US District Court of PR (or NY Supreme Court)
Conditions to Consummation	Same as those set forth in the Ad Hoc Group Term Sheet, but including in addition: <ul style="list-style-type: none"> • Treatment of ad hoc group on terms substantially consistent with Ad Hoc Group Term Sheet dated September 1, 2015 and otherwise acceptable to Solus; and • Treatment of Scotiabank credit agreement and monolines on terms acceptable to Solus.
Energy Commission, Rates, Reimbursement of Lender Fees/Expenses, option to convert from Term Loans to Securitization Bonds, and Other Terms	To be discussed and agreed as part of RSA.

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Schedule A – Principal and Interest Schedule¹

Interest	Principal	Total Debt Service
\$ 2,099,353	\$ 5,476,572	\$ 7,575,924
\$ 2,020,627	\$ 5,476,572	\$ 7,497,199
\$ 1,941,901	\$ 5,476,572	\$ 7,418,473
\$ 1,863,175	\$ 5,476,572	\$ 7,339,747
\$ 1,784,450	\$ 5,476,572	\$ 7,261,021
\$ 1,705,724	\$ 5,476,572	\$ 7,182,296
\$ 1,626,998	\$ 5,476,572	\$ 7,103,570
\$ 1,548,272	\$ 5,476,572	\$ 7,024,844
\$ 1,469,547	\$ 5,476,572	\$ 6,946,119
\$ 1,390,821	\$ 5,476,572	\$ 6,867,393
\$ 1,312,095	\$ 5,476,572	\$ 6,788,667
\$ 1,233,370	\$ 5,476,572	\$ 6,709,941
\$ 1,154,644	\$ 7,302,096	\$ 8,456,740
\$ 1,049,676	\$ 7,302,096	\$ 8,351,772
\$ 944,709	\$ 7,302,096	\$ 8,246,804
\$ 839,741	\$ 7,302,096	\$ 8,141,837
\$ 734,773	\$ 9,127,620	\$ 9,862,393
\$ 603,564	\$ 9,127,620	\$ 9,731,183
\$ 472,354	\$ 9,127,620	\$ 9,599,974
\$ 341,145	\$ 9,127,620	\$ 9,468,764
\$ 209,935	\$ 3,651,048	\$ 3,860,983
\$ 157,451	\$ 3,651,048	\$ 3,808,499
\$ 104,968	\$ 3,651,048	\$ 3,756,015
\$ 52,484	\$ 3,651,048	\$ 3,703,532
\$ 26,661,777	\$ 146,041,914	\$ 172,703,691

¹ Assumes an issuance date of January 1, 2016