

Schedule I-B
Securitization Protections

The following provisions (in addition to other protections agreed upon by the Required Parties²¹) will be included in the Amended Act, Confirmation Order, Issuer's by-laws, or transaction documents, as applicable, in a manner agreed upon by the Required Parties:

I. Issuer

A. General Issuer Provisions

1. Issuer will be a special purpose public corporation and instrumentality of the Government of Puerto Rico, constituting a corporate and political entity independent and separate from the Government of Puerto Rico, PREPA and any other Government Entity. It shall be operated independently, and its business and affairs shall be governed by or under the direction of its Board of Directors.

2. Issuer will observe normal corporate separateness from PREPA and any other entity (e.g., separate books and records, no transferring of assets, etc.).

B. Issuer Governance

1. Board members selected by the Governor from list of 10 candidates from executive search firm using objective selection criteria. Each member of the Board shall satisfy the independence and qualification standards to be agreed upon in Securitization Trust Agreement.

2. Board members have fiduciary duty to act in best interests of Issuer to such extent and scope as is consistent with Puerto Rico law and the Puerto Rico Constitution.

3. Board members shall receive such compensation as is authorized pursuant to the Securitization Documents.

4. Each Board member shall be appointed for a term of 3 years; provided that the Governor may remove any member who fails to uphold the responsibilities set forth in the Amended Act or for gross negligence, willful misconduct or fraud. Board members shall have staggered terms.

C. Issuer Powers and Duties²²

1. Issuer shall be authorized, without further legislative or regulatory approval to:

²¹ Capitalized terms used herein that are not explicitly defined herein shall have the meanings ascribed to them in the RSA or Securitization Term Sheet, as applicable.

²² Issuer shall only be authorized to take such actions to the extent such actions or any documents required thereby or referred to therein are consistent with the RSA including with regard to any approvals of the form or substance of such documents contained in the RSA, the Definitive Documents or the Additional Definitive Documents.

(a) Adopt a Restructuring Resolution that governs the Securitization Bonds that is irrevocable and not subject to amendment after the issuance of the Securitization Bonds.

(b) Execute and perform under (i) a Securitization Trust Agreement that governs and secures the Securitization Bonds and the repayment thereof from Transition Charge Revenues and (ii) the other Securitization Documents.

(c) Collect the Transition Charge Revenues subject to the terms and conditions of the Definitive Documents

(d) Issue the Securitization Bonds authorized under the RSA, issue swap counterparty security contemplated by the RSA, and incur obligations with respect to insurance premiums and DSRF sureties contemplated by the RSA (such Securitization Bonds, swap counterparty security and other obligations contemplated by the RSA collectively referred to as “**Secured Obligations**”).

(e) Issue or assume such additional debt or obligations as may be permitted under the Securitization Trust Agreement, which shall, at a minimum, include, as set forth in the Securitization Term Sheet, (i) at the discretion of the Government Parties, any unpaid or underfunded pension obligations and (ii) Additional Permitted Indebtedness (collectively, the “**Permitted Indebtedness**”).

(f) Take other actions necessary or appropriate to effectuate the Securitization Bond Treatment.

(g) Sue and be sued in Commonwealth or federal court.

(h) Grant consensual liens and security interests in the Restructuring Property to the Securitization Trustee for the benefit of the owners, beneficiaries or insurers (the Securitization Trustee and such beneficiaries, collectively, the “**Secured Parties**”) of the Secured Obligations as additional security for such Secured Obligations.

2. Issuer shall not be authorized to (i) engage in any business activity other than as provided herein, (ii) own any assets or property other than Restructuring Property and property created in connection with or related to any Permitted Indebtedness except as permitted under the Securitization Trust Agreement and consistent with the RSA, (iii) incur or guaranty any other debt other than the Permitted Indebtedness and otherwise as permitted by the Securitization Trust Agreement, or (iv) dissolve while any Secured Obligation is outstanding.

3. The Issuer shall also be forbidden from (a) merging or consolidating with any other person, (b) except as permitted in the Securitization Trust Agreement and consistent with the RSA, permitting any liens on its assets other than those securing the Secured Obligations and any Permitted Indebtedness, (c) liquidating, selling or otherwise transferring the Restructuring Property other than as permitted by Securitization Trust Agreement, or (d) taking any other action that is inconsistent with the Issuer’s purpose set forth in the Amended Act or ancillary thereto.

4. Under the Amended Act, the Issuer shall be expressly prohibited from filing a petition under Title III of PROMESA or any similar law for as long as the Secured Obligations are outstanding. The governance documents for the Issuer shall provide that neither the Issuer, nor the board of the Issuer or any officer of the Issuer shall request to effect, or desire to effect, a plan to adjust its debts

under Title III of PROMESA or any similar law for as long as the Secured Obligations are outstanding. The Confirmation Order shall provide that such provisions of the governance documents may not be amended, changed, or superseded for as long as any Secured Obligations are outstanding.

II. Transition Charge and Restructuring Property

A. The legislation shall impose, without requiring the approval of the Puerto Rico Energy Bureau or other entity, a non-bypassable and unavoidable Transition Charge that shall be standard to utility securitizations, including any adjustments to the Transition Charge as may be agreed upon in the RSA, and demand protections as agreed upon in connection with the RSA.

B. Transition Charge shall not constitute a tax or available revenues under Puerto Rico law and shall not be revoked or terminated.

C. The Transition Charge will be collected by a designated servicer pursuant to a Servicing Agreement with the Issuer (the "Servicer"), which Servicer will collect the Transition Charge as agent of the Issuer, and not on its own behalf or on behalf of PREPA, the Government, or any other Government Entity or electric service provider, and the Transition Charge Revenues prior to their transfer to the Securitization Trustee shall be held in trust for the exclusive benefit of the Secured Parties. No person, other than the Securitization Trustee, who collects or holds the Transition Charge Revenues or other Restructuring Property shall have any legal or equitable right, title or interest thereto solely by virtue of such collection or holding.

1. The details of the billing and collection of the Transition Charge, the allocation of electric bill payments between Transition Charge Revenues and other payments (including in respect of partial payments of electric bills), and the transfer of Transition Charge Revenues to any third party depository and the Securitization Trustee shall be as set forth in the Securitization Documents.

2. In the event that a customer partially pays its electric bill, each of the Issuer, PREPA and the owners of other charges shall share pro rata in such partial payment regardless of any contrary instructions by the customer (subject to any fees and expenses that are paid prior to pro ration to the extent permitted by the Securitization Trust Agreement) and the Issuer's pro rata share shall form part of the Restructuring Property.

D. The Transition Charge shall not be subject to counterclaim or defense other than for miscalculation or misreporting of amount of energy delivered.

E. Restructuring Property shall be authorized in the legislation and created by the Restructuring Resolution, and shall continue to exist until all Secured Obligations are paid in full.

1. Restructuring Property shall constitute an existing, present, continuing and vested property right for all purposes whether or not the revenues and proceeds arising with respect thereto have accrued, whether or not all actions to impose and collect the Transition Charge have occurred, and even though its value depends on future provision of service.

F. The Issuer shall have sole ownership of the Restructuring Property, including all legal and equitable rights, title and interest thereto, subject, however, to all liens and pledges for Restructuring Property in favor of the Securitization Trustee for the benefit of the Secured Parties.

III. Statutory Lien

A. The Secured Obligations shall automatically, upon their issuance or incurrence and until they are paid in full, be secured by a statutory first lien on the Restructuring Property, including any moneys, income, revenues, accounts, contract rights or general intangibles derived therefrom, in favor of the Securitization Trustee for the benefit of the Secured Parties.

B. Such statutory first priority lien shall occur automatically and shall automatically attach and be automatically perfected, valid and binding, in each case, from and after the issuance of the Securitization Bonds without any further act or agreement by any person. No instrument needs to be executed or delivered, recorded or otherwise filed in any official record or in any government registry or office in order to perfect or continue such statutory first lien or to establish or maintain the priority thereof.

C. No commingling of the Transition Charge with any property of (or possession by) PREPA, the Government, or any other Government Entity or any other person shall limit, defeat, impair or interfere with such statutory lien.

D. Such statutory lien, and any consensual lien or security interest granted pursuant to the Securitization Trust Agreement, shall be valid, binding, perfected (without the need for a UCC financing statement) and enforceable against all persons having claims of any kind in tort, contract or otherwise against the Issuer or its assets irrespective of whether such Persons have notice of such lien.

IV. Servicer

A. The Servicer shall be authorized to interrupt or suspend service, use intercept provisions, take enforcement actions, or terminate System access for failure to pay the Transition Charge (and electric service providers shall be obligated to follow a Servicer direction to do the same) on the same terms and conditions as the Servicer is authorized to suspend service, use intercept provisions, take collection actions, or terminate System access for failure to pay for electric services.

B. Servicer shall be authorized to bill and collect the Transition Charge, to include Transition Charge on bills as a separate line item and to remit Transition Charge Revenues to the Securitization Trustee.

V. Certain Covenants

A. The Government of Puerto Rico, with the intent of being contractually bound, will agree and covenant with the Issuer and each Secured Party, and will authorize the Issuer to include such covenant in the Securitization Trust Agreement for the benefit of the Secured Parties, that it will not, and no Government Entity shall be authorized to, until the Secured Obligations and all amounts and obligations under all transaction documents, have been completely paid in cash in full or otherwise discharged in accordance with their terms:

1. take any action that would (i) impair the Issuer's right to receive the Transition Charge, (ii) limit or alter the rights vested in the Issuer in accordance with the Plan to fulfill the terms of any agreements with Secured Parties, (iii) eliminate, decrease or modify the Transition Charge or Demand Protections, or (iv) impair the rights and remedies of the Secured Parties or their collateral security;

provided, that nothing shall limit or impair the rights of any Government Entity in its capacity as a customer purchasing or using electricity services;

2. amend the Amended Act to impair, limit, restrict, rescind, delay or modify any obligation of the Issuer to the Secured Parties;

3. limit or restrict the rights or powers of the Issuer or Servicer to impose, maintain, charge or collect the Transition Charge;

4. impose charges, taxes, or other fees on electricity other than those directly associated with operation of the System, or authorize debt secured by Restructuring Property or any other rights or interest in electric rates or charges other than the Secured Obligations and Transition Charge provided for in the RSA, except charges supporting Permitted Indebtedness and otherwise as permitted by the Securitization Trust Agreement; and

5. take action to cause interest on any tax-exempt bonds to become taxable.

VI. Remedies

A. The Securitization Trustee may replace the Servicer after a default and, to the extent provided in the Securitization Trust Agreement, may foreclose on the Restructuring Property upon the occurrence of an event of default in accordance with the terms of the Securitization Trust Agreement.

B. The Issuer, the Securitization Trustee, or subject to any limitations contained in the Securitization Trust Agreement, the other Secured Parties, may request the court to order the sequestration and payment of Transition Charge Revenues, notwithstanding any bankruptcy.

C. The Secured Parties are authorized to enforce the provisions of the Amended Act, subject, in the case of the holders or insurers of the Securitization Bonds, to any limitations included in the Securitization Trust Agreement.

VII. Successors to PREPA

A. To come once Concessionaire is identified.

VIII. Miscellaneous

A. Title III court order on validity and enforceability of Secured Obligations, Transition Charge, and related documents is binding, and Title III court retains jurisdiction to hear all matters arising out of the Secured Obligations and Transition Charge for so long as any Securitization Bonds are outstanding under the Securitization Trust Agreement.

B. Issuer, Transition Charge and the Secured Obligations shall not be subject to any Puerto Rico taxes or fees of any kind (including those levied by any Government Entity). The Transition Charge shall automatically increase to cover any Puerto Rico taxes or fees imposed that are not permitted under the Amended Act.

C. The Puerto Rico UCC shall not apply to the statutory lien, consensual lien and property rights granted to the Issuer and/or Secured Parties under the Amended Act and Securitization Documents.

D. The Amended Act shall prevail in the event of a conflict with any other law of Puerto Rico.

E. The Securitization Trust Agreement, other Securitization Documents and the Secured Obligations shall be governed by and construed in accordance with the laws of the State of New York, except that the authorization and powers of the PREPA, AAFAF and the Issuer shall be governed by the laws of Puerto Rico.

F. Any disputes, legal action, suit, or proceeding arising from or related to the Securitization Trust Agreement or the Securitization Bonds (i) shall be brought in the Title III court and any appellate court therefrom or, in the event such court does not have or accept such jurisdiction, in any federal district court sitting in Puerto Rico and any appellate court therefrom or, in the event such federal district court does not have or accept jurisdiction, a New York court and any appellate court therefrom and (ii) the parties shall be deemed to consent to the jurisdiction thereof.

G. Inclusion of demand protections (and associated provisions on implementation and application), subject to agreement by parties and as applicable.

H. Inclusion of severability and language conflict provisions acceptable to the Required Parties.

I. The following laws or provisions shall not apply to the Issuer except as agreed to by the Required Parties:²³

1. Chapters 4 and 6 of Act 26-2017, as amended, known as the “Fiscal Plan Compliance Act”;

2. Act 1-2012, as amended, known as the “Puerto Rico Government Ethics Act of 2011”;

3. Act 103 of May 25, 2006, as amended, known as the “Act for the Fiscal Reform of the Government of the Commonwealth of Puerto Rico of 2006”;

4. Act 8-2017, as amended, known as the “Act for the Transformation of the Government’s Human Resources”;

5. Act 237-2004, as amended, known as the “Act to Establish Uniform Parameters for Contracting Professional and Consulting Services by Agencies and Instrumentalities of the Government of Puerto Rico”;

6. Act 197-2002, as amended, known as the “Act to Regulate the Transition Process of the Government of Puerto Rico”;

7. Act 78-2011, as amended, known as the “Electoral Code of Puerto Rico for the XXI Century”;

²³ Subject to further diligence.

8. Act 38-2017, known as the “Uniform Administrative Procedures Act of the Government of Puerto Rico”;

9. Plan 3-2011, as amended, known as “General Services Administration Reorganization Plan”;

10. Act 230 of July 23, 1974, as amended, known as the “Government Accounting Act”;

11. Act 3-2017, known as the “Law to Address the Economic, Fiscal and Budgetary Crisis and Ensure the Functioning of the Government of Puerto Rico”;

12. Act 14 of April 17, 1972, as amended;

13. Act 2-2017;

14. Act 5-2017;

15. Act 17-2019, known as the “Puerto Rico Energy Public Policy Act”; and

16. Section 6.25A of Act 57-2014.