

PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION
CORPORATION

as Issuer

AND

PUERTO RICO AQUEDUCT AND SEWER AUTHORITY

as Servicer

FINANCING PROPERTY SERVICING AGREEMENT

Dated as of [_____, 2016]

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This FINANCING PROPERTY SERVICING AGREEMENT, dated as of [_____, 2016], is between Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation, a special purpose public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the “Corporation”), as issuer of the Bonds (the “Issuer”), and Puerto Rico Aqueduct and Sewer Authority, a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (“PRASA”), as services (the “Servicer”).

RECITALS

WHEREAS the Servicer is willing to service the Financing Property created by the Financing Resolution and owned by the Issuer; and

WHEREAS the Issuer, in connection with ownership of Financing Property, desires to engage the Servicer to carry out the functions described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Capitalized terms used but not otherwise defined herein have the respective meanings assigned to them in Appendix A hereto, and if not defined therein, in the Trust Agreement.

Section 1.02 Other Definitional Provisions.

(a) “Agreement” means this Financing Property Servicing Agreement, together with all Exhibits, Schedules, Appendices and Annexes hereto, as the same may be amended, supplemented or otherwise modified from time to time as herein permitted.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words “hereof,” “herein,” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit, Appendix and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits, Appendices and Annexes in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

ARTICLE II

APPOINTMENT AND AUTHORIZATION

Section 2.01 Appointment of Servicer Acceptance of Appointment. The Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer in accordance with the terms of this Agreement. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02 Authorization. Subject to the provisions of this Agreement and subject to any direction given in accordance with the Trust Agreement, with respect to all or any portion of the Financing Property, the Servicer is hereby authorized and empowered by the Issuer to:

- (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and
- (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities.

Subject to the provisions of this Agreement and subject to any direction given in accordance with the Trust Agreement, (i) the Issuer shall execute and deliver to the Servicer such documents as have been prepared by the Servicer for execution by the Issuer, and such other documents as may be in the Issuer's possession, as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder and (ii) upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03 Dominion and Control Over the Financing Property. Notwithstanding any other provision herein to the contrary, the Issuer shall have ownership, dominion and control over the Financing Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the Financing Property and the Financing Property Documentation. The Servicer shall not take any action with respect to the Financing Property that is not authorized by this Agreement or that impairs the rights of the Issuer, the Trustee, the Bondholders or the parties to the Ancillary Agreements in, or the rights of an owner of, the Financing Property.

ARTICLE III

BILLING SERVICES

Section 3.01 Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

- (a) Duties of Servicer Generally. The Servicer will manage, service, administer and make collections in respect of the Revitalization Charges. The Servicer's duties will be to and the Servicer shall:

(i) impose the Revitalization Charges on all Customers and adjust them as more fully set forth herein;

(ii) exercise all the collection rights of the holders or pledgees of the Financing Property for the benefit of such holders or pledgees as more fully set forth herein;

(iii) transfer any Revitalization Charge Revenues to the holders or pledgees of Financing Property as more fully set forth herein;

(iv) obtain meter reads, calculate water [and sewer] usage, maintain records of service agreements, calculate the periodic adjustments to the Revitalization Charges, bill the Revitalization Charges to the Customers as a separate line item on PRASA's Bills, separate from all PRASA Charges, and collect from Customers all Revitalization Charge Collections, all in accordance with the Financing Resolution, the Trust Agreement and this Agreement;

(v) estimate the water [and sewer] use of Customers for the purpose of calculating Revitalization Charges in accordance with the terms of the Financing Resolution and Annex 3 herein;

(vi) respond to inquiries by Customers or the Trustee or inquiries by any federal, local or other Commonwealth governmental authority, with respect to the Revitalization Charges;

(vii) deliver Bills to Customers, account for Revitalization Charge Collections, investigate and resolve delinquencies, process and deposit collections, make periodic remittances and furnish periodic reports to the Issuer, the Calculation Agent, the Trustee and the Rating Agencies;

(viii) sell, as the agent for the Issuer, as its interest may appear, defaulted or written off accounts in accordance with the Servicer's usual and customary practices for accounts of Customers for Rates;

(ix) take action in connection with True-Up Adjustments as is set forth herein;

(x) take any action necessary to direct (a) all Customers that do not pay their Bills in person, and (b) any other Person that hold Revitalization Charge Collections and PRASA Charges, to remit their payments or turn over all such Revitalization Charge Collections and PRASA Charges directly to the Depository for deposit into the Allocation Account;

(xi) promptly, and in any event as soon as reasonably possible after receipt of the same, cause all Revitalization Charge Collections and all PRASA Charges not otherwise deposited with or paid to the Depository to be paid to the Depository for deposit into the Allocation Account held thereunder, as further provided in Sections 3.03 and 5.11;

(xii) take any actions permitted by the law to collect unpaid bills and terminate service to Customers who are delinquent in the payment of their Revitalization Charge on the same basis as termination of service is permitted for nonpayment of water and sewer or other rates by PRASA, and which would otherwise be consistent with Best Efforts, but none of the

Issuer, the Trustee, the Bondholders or any party to an Ancillary Agreement may directly terminate service to any Customer; and

(xiii) administer Revitalization Charge Revenues commingled with other funds of the Servicer in a manner that allows for the distinct identification of the Revitalization Charge Revenues and such other funds, respectively.

Without limiting the generality of this Section 3.01(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities set forth in Annex 3 which, among other things, relate to data acquisition, usage and bill calculation, billing, Customer service functions, collections, payment processing and remittance.

(b) Notification of Laws and Regulations. The Servicer shall promptly notify the Issuer, the Trustee and the Rating Agencies in writing of any laws or regulations hereafter promulgated that have an adverse effect on the Servicer's ability to perform its duties under this Agreement.

(c) Other Information. Upon the request of the Issuer, the Trustee, the Administrator, the Calculation Agent, any party to an Ancillary Agreement or any Rating Agency, the Servicer shall provide to the Issuer, the Trustee, the Administrator, the Calculation Agent, such party to an Ancillary Agreement or the Rating Agencies, as the case may be, any financial information in respect of the Servicer, or any material information regarding the Financing Property, as may be necessary and permitted by law or as may be required by any other agreement, including the Trust Agreement, for the Issuer, the Calculation Agent, the Administrator, the Trustee or the Rating Agencies to monitor the Servicer's performance hereunder. In addition, so long as any of the Bonds of any Tranche are Outstanding, or the Issuer's obligations under any Ancillary Agreement have not been performed in full, the Servicer shall provide to the Issuer, the Calculation Agent, the Administrator, any party to an Ancillary Agreement and the Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by the Servicer that is necessary to perform their respective duties, to determine compliance by the Servicer with this Agreement, to calculate the Revitalization Charges, or perform the Adjustment Mechanism. To the extent permitted by the Trust Agreement, the Trustee shall be authorized to provide any information received under this Agreement to Bondholders.

Section 3.02 Collection of the Revitalization Charges.

(a) Subject to Section 3.01(a)(x), the Servicer shall use Best Efforts to collect all amounts owed in respect of the Revitalization Charges as and when the same shall become due and shall follow such collection procedures with respect to collection activities that the Servicer conducts for itself or others, provided that such collection procedures shall be consistent with Best Efforts. The Servicer shall not change the amount of or reschedule the due date of any scheduled payment of the Revitalization Charges, except as contemplated in this Agreement and as permitted by the Trust Agreement or as required by law or court order as authorized under the law; provided, however, that the Servicer may take any of the foregoing actions to the extent that any such action taken would be in accordance with its customary billing and collection practices

for Rates and treats the Revitalization Charges in the same manner as other PRASA charges, provided that such actions and practices are consistent with Best Efforts.

(b) As specified in the Act, the Financing Resolution and the Trust Agreement, any amounts received from or on behalf of a Customer that represent a partial payment of a Bill containing both Revitalization Charges and PRASA Charges shall be allocated *pro rata* between the Revitalization Charges and PRASA Charges set forth on such Bill.

Section 3.03 Transfer of Customer Revenues to Trustee; Allocation and Transfer of Revitalization Charge Collections and PRASA Charge Collections.

(a) The parties recognize that the Customer Revenues must be remitted to PRASA and the Corporation in a manner which respects their respective interests. Accordingly, on each Business Day, commencing on the Business Day following the expiration of a period, which period shall commence on the issue date of the Bonds and shall consist of the number of days set forth in the last sentence of definition of Days Sales Outstanding (the “Deposit Commencement Date”; each such Business Day being referred to as a “Deposit Date”), the Servicer shall remit all Customer Revenues received by the Servicer to the Depository for deposit into the Allocation Account. Customer Revenues shall be remitted to the Depository by the Servicer as soon as possible following receipt, but in any event no more than two Business Days after receipt by the Servicer. Under no circumstance shall the Servicer act as the Depository in respect of the Revitalization Charges.

(b) On each Deposit Date, the Depository shall be required to inform the Servicer of any Customer Revenues received by it directly.

(c) On each Deposit Date, the Servicer (a) shall calculate, according to the procedures set forth in Annex 3, the Estimated Revitalization Charge Collections deemed to have been received by the Servicer on behalf of the Issuer on such Deposit Date and for each day or days immediately preceding such Deposit Date which are not Business Days, and (b) not later than [9:00 a.m. New York time] on each Deposit Date, shall file with the Depository, the Trustee, the Calculation Agent and the Issuer a Daily Remittance Certificate showing the amount of Estimated Revitalization Charge Collections that the Servicer remitted to the Depository for deposit in the Allocation Account (which shall be the amount that the Depository is required to remit to the Trustee for deposit in Collection Account on such date (*i.e.*, the Daily Remittance)) and the PRASA Charges which the Depository is required to remit to or for the account of PRASA hereunder.

(d) The Servicer shall also promptly, but no less frequently than once each Business Day, remit to the Trustee for deposit to the Collection Account any other proceeds of the Collateral that the Servicer may have received from time to time on behalf of the Issuer.

(e) The Servicer agrees and acknowledges that: (i) it shall be deemed to be acting solely as an agent of the Issuer and not as principal, (ii) it holds all Revitalization Charge Collections collected by it, and any other proceeds of the Collateral received by it, in trust for the exclusive benefit of the Trustee, the Bondholders and parties to Ancillary Agreements, as their interests may appear, (iii) it holds no interest in the Revitalization Charges or the Revitalization

Charge Collections and (iv) all such collected or received amounts will be remitted to the Trustee for deposit to the Collection Account or to the Depository for deposit to the Allocation Account without any surcharge, fee, offset, charge or other deduction. The Servicer further agrees not to make any claim or assert any right to set-off to reduce any Revitalization Charge Collections collected by it or deposited into the Allocation Account or the Collection Account.

(f) Not later than fifteen days following each [June 30th] and [December 31st], commencing [xx 15, xxxx], the Servicer (a) shall calculate the amount, if any, by which the aggregate of the Estimated Revitalization Charge Collections were less than or exceeded Actual Revitalization Charge Collections deposited into the Allocation Account during the preceding six months, and (b) shall file with the Depository, the Trustee, the Calculation Agent, the parties to the Ancillary Agreements and the Issuer a “Semiannual Reconciliation Certificate,” substantially in the form attached as Exhibit B to this Servicing Agreement. If the certificate shows that a Remittance Shortfall exists, the Servicer shall direct the Depository to make a supplemental remittance from the Allocation Account to the Collection Account. If the certificate shows that an Excess Remittance exists, the Servicer shall cause such Excess Remittance to be corrected as soon as practicable (i) by directing the Depository, in one or more Daily Remittance Certificates, to reduce the amount of each Daily Remittance from the Allocation Account until the balance of such Excess Remittance has been reduced to zero, or (ii) only if and to the extent necessary, following two Business Days’ prior written notice to the Trustee, by causing payment of the amount of such Excess Remittance to or for the account of PRASA from the General Subaccount or the Excess Funds Subaccount in the Collection Account.

(g) Revitalization Charge Collections received by the Servicer shall not lose their character as revenues of the Corporation by virtue of possession by the Servicer or any other party.

Section 3.04 Servicing and Maintenance Standards. The Servicer shall, on behalf of the Issuer:

(a) manage, service, administer and make collections in respect of the Financing Property with reasonable care and in compliance with applicable law, using at least the same degree of care and diligence that the Servicer exercises with respect to billing and collection activities that the Servicer conducts for itself and others, subject to paragraph (b) below;

(b) use Best Efforts to bill and collect all Revitalization Charges;

(c) with respect to its obligations under this Agreement, the Servicer shall act in a manner consistent with customary water and sewer utility practices in the United States, subject to paragraph (b) above;

(d) enforce and maintain the rights of the Issuer, the Trustee, the parties to the Ancillary Agreements and the Bondholders in respect of the Financing Property, and the rights of an owner of the Financing Property in respect thereof, including, but not limited to, taking such action the Servicer may deem necessary or desirable to enforce collection of the Revitalization Charge, subject to paragraph (b) above;

(e) calculate the Revitalization Charges and Adjustment Mechanism in compliance with the Act and the Financing Resolution; and

(f) invoice Customers in accordance with the procedures set forth in Annex 3, except where the failure to comply with any of the foregoing would not adversely affect the rights of the Issuer, the Trustee, any party to an Ancillary Agreement or the Bondholders in respect of the Financing Property or the rights of an owner of the Financing Property in respect thereof. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of the Financing Property, which, in the Servicer's judgment, may include the taking of legal action pursuant to Section 3.10 or otherwise; provided, however, that the Servicer's customary and usual practices and procedures as they relate to the billing and collection of Revitalization Charges shall be consistent with Best Efforts; and provided further that the Servicer shall not change its customary and usual practices and procedures, unless such change is consistent with customary water and sewer utility practices in the United States, in any manner which would adversely affect the rights of the Issuer, the Trustee or any party to an Ancillary Agreement, or the Bondholders in respect of the Financing Property or the rights of an owner of the Financing Property in respect thereof, unless it shall have provided the Issuer, the Trustee, the parties to the Ancillary Agreements and the Rating Agencies with prior written notice describing such adverse change and the Rating Agency Condition shall have been satisfied.

Section 3.05 Servicer's Reports and Certificates. The Servicer will provide to the Issuer, the Calculation Agent, the parties to the Ancillary Agreements and the Trustee the statements and certificates specified in Annex 2, the True-Up Letter described in Section 4.01, and any other Servicer report or certificate at the same time as such statement, certificate, True-Up Letter or other Servicer report or certificate is submitted to the Corporation. Each Semiannual Servicer Certificate will show in detail all Ongoing Financing Costs that are being paid from Revitalization Charges.

Section 3.06 Annual Statement as to Compliance. The Servicer shall deliver to the Issuer, the Trustee, the Calculation Agent, each party to an Ancillary Agreement and each Rating Agency on or before [_____] of each year beginning [_____, xxxx] to and including the [_____] succeeding the Final Maturity Date of the Bonds or the final payment of any other Ongoing Financing Costs, whichever is later, an Officer's Certificate, substantially in the form of Exhibit E hereto, stating:

(a) that a review of the activities of the Servicer (including any party to which the Servicer has subcontracted services under this Agreement) during the preceding calendar year (or relevant portion thereof in the case of the first and last such Officer's Certificate) and of its performance under this Agreement has been made, and

(b) whether to the best of such Responsible Officers' knowledge, based on such review, the Servicer has fulfilled all its obligations under this Agreement throughout such period and, if there has been a default in the fulfillment of any such obligation, describing each such default and its status.

Section 3.07 Annual Independent [Registered] [Certified] Public Accountants' Report; Annual Assessment.

(a) The Servicer shall cause [INSERT NAME] or another firm of Independent [registered] [certified] public accountants (which may provide other services to the Servicer or its affiliates) to prepare annually, and the Servicer shall deliver annually to the Issuer, the Trustee, the Calculation Agent, and the Rating Agencies, on or before August 15 of each year, commencing with [2017] to and including the August 15 succeeding the date on which both (i) Final Maturity Date of the Bonds shall have occurred and (ii) all obligations under the Bonds and the Ancillary Agreements have been paid in full, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, to the effect that such firm has performed certain procedures, agreed upon by the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under this Agreement during the preceding twelve months ended [December 31] (or, in the case of the first Annual Accountant's Report to be delivered on or before [_____, 2017], the period of time from the date of this Agreement until [December 31, 2016]), identifying the results of such procedures and including any exceptions noted. The Annual Accountant's Report shall include a verification that the Upfront Financing Costs and Ongoing Financing Costs paid from the Revitalization Charge Revenues are consistent with the requirements of the Trust Agreement, the Financing Resolution and this Agreement. In the event such accounting firm requires the Trustee to agree or consent to the procedures performed by such firm, the Issuer shall direct the Trustee in writing to so agree; it being understood and agreed that the Trustee may deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer, and the Trustee is not required to make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is Independent of the Servicer, [AAFAF] and the Commonwealth of Puerto Rico in accordance with the Code of Professional Ethics of the American Institute of Certified Public Accountants, as then in effect.

(c) At the direction of the Servicer, on behalf of the Corporation, _____ will retain an Independent entity (which may be the Independent [registered] [certified] public accountants preparing the annual audit) to prepare an assessment of the reasonableness of the Ongoing Financing Costs incurred in the preceding year.

Section 3.08 Financing Property Documentation. To ensure uniform quality in servicing the Financing Property and to reduce administrative costs, the Servicer shall keep on file, in accordance with its customary procedures, all Financing Property Documentation, it being understood that the Servicer is acting solely as the servicing agent and custodian for the Issuer with respect to the Financing Property Documentation. Such Financing Property Documentation shall be open to the inspection of, and shall be provided up request of, the Issuer, the Trustee or any Person with rights to receive such Financing Property Documentation pursuant to the Trust Agreement or any Ancillary Agreement.

Section 3.09 Computer Records: Audits of Documentation.

(a) Safekeeping. The Servicer shall maintain accurate and complete accounts, records and computer systems pertaining to the Financing Property and the Financing Property Documentation in accordance with generally accepted accounting principles (GAAP) and in sufficient detail to permit reconciliation between Estimated Revitalization Charge Collections and Actual Revitalization Charges, whether remitted directly to the Depository by Customers or by the Servicer, so as to enable the Issuer to comply with this Agreement, the Depository Agreement, the Financing Resolution and the Trust Agreement. The Servicer shall conduct, or cause to be conducted, periodic audits of the Financing Property Documentation held by it under this Agreement and of the related accounts, records and computer systems, in such a manner as shall enable the Issuer, the Trustee, the Depository and the Calculation Agent to verify the effectiveness of the Servicer's record keeping. The Servicer shall promptly report to the Issuer, the Calculation Agent, the Administrator and the Trustee any failure on the Servicer's part to hold the Financing Property Documentation and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the Financing Property Documentation. The Issuer and the Trustee shall have the right to conduct any such review, and the Requisite Bondholders or any party to an Ancillary Agreement may initiate such review, as and to the extent set forth in the Trust Agreement and any Ancillary Agreement; provided, however, that the Servicer shall not pay for any costs related to such review unless it is in default under this Agreement. The Servicer's duties to hold the Financing Property Documentation on behalf of the Issuer as set forth in Sections 3.08 and 3.09, to the extent such Financing Property Documentation has not been previously transferred to a successor Servicer, shall terminate three years after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer pursuant to the provisions of this Agreement and (ii) no Bonds of any Tranche are Outstanding and no other Ongoing Financing Costs remain unpaid.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Financing Property Documentation at [ADDRESS], or at such other office as shall be specified by the Servicer to the Issuer, the Depository, the Calculation Agent, the Administrator and the Trustee by written notice not later than 30 days prior to any change in location. The Servicer shall permit the Issuer, the Calculation Agent, the Administrator and the Trustee or their respective duly authorized representatives, attorneys, agents or auditors at any time during normal business hours to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Financing Property, the Revitalization Charges and the Financing Property Documentation, except that the failure of the Servicer to provide access to information relating to individual customers as a result of an obligation or applicable law prohibiting disclosure of information regarding Customers shall not constitute a breach of this Section 3.09(b); provided, however, that (i) such exception shall only apply to the specific information as to which the giving of access would violate the law and (ii) the Servicer shall provide access to such information or portion thereof that may be disclosed, including information redacted to protect privacy rights.

Section 3.10 Defending Financing Property Against Claims. The Servicer shall institute in its own name and the name of the Issuer, and maintain any action or proceeding

necessary to compel performance by the Commonwealth of any of their obligations or duties under the Act, the Financing Resolution with respect to the Financing Property, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to the Act, the Financing Resolution or the Trust Agreement, as the case may be, or the rights of holders of Financing Property that could be expected to be adverse to Bondholders. The costs of any such action by the Servicer shall be payable from Revitalization Charge Collections as an Ongoing Financing Cost in accordance with the Trust Agreement.

The Servicer's obligations pursuant to this Section 3.10 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Trust Agreement may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 3.10).

ARTICLE IV

SERVICES RELATED TO TRUE-UP ADJUSTMENTS

Section 4.01 True-Up Adjustments-General.

(a) The Servicer, on behalf of the Issuer, will cause the Revitalization Charges to be adjusted (i) semiannually, beginning in XX, XX, as described below (the "Semiannual True-Up Adjustments"), and (ii) at any other time if the Servicer, the Calculation Agent, the Trustee or the Requisite Bondholders (as and to the extent provided in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent provided in an Ancillary Agreement) determines that such adjustment is required to ensure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs (the "Optional True-Up Adjustments" and together with the Semiannual True-Up Adjustments, the "True-Up Adjustments").

(b) To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft direction pursuant Section 4.02 or a request pursuant to Section 4.03 for adjustment (a "True-Up Letter"), which in either case shall specify the proposed effective date of the True-Up Adjustment (the "True-Up Adjustment Date"), and shall be provided to the Calculation Agent in the case of a Semiannual True-Up Adjustment at the time specified in Section 4.02 and in the case of an Optional True-Up Adjustment [] days prior to the True-Up Adjustment Date. Each True-Up Letter will be substantially in the form of Exhibit F hereto. The Issuer will cause the Calculation Agent to review the proposed True-Up Letter, including the proposed True-Up Adjustment, and to provide the Servicer with any corrections or modifications, which shall be within the time specified in Section 4.02 with respect to a Semiannual True-Up Adjustment, so that the Servicer can file the True-Up Letter, as corrected and confirmed, with the Issuer and the Trustee not later than the Semiannual Filing Date in the case of a Semiannual True-Up Adjustment or 30 days prior to the True-Up Adjustment Date in the case of an Optional True-Up Adjustment. The Issuer shall also cause the Trustee to provide to the Servicer, the parties to the Ancillary Agreements and the Calculation Agent any information required to prepare and verify, as the case may be, the accuracy of the True-Up Letter. Concurrently with the filing of any

True-Up Letter with the Issuer, the Servicer shall provide a copy of the True-Up Letter to the Calculation Agent, the Trustee, the parties to the Ancillary Agreements and the Rating Agencies a request to receive a copy of such filing.

(c) The Servicer shall ensure that each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Revitalization Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Revitalization Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the Expected Amortization Schedule) and interest on the Bonds on the Payment Dates that occur during the related Annual Calculation Period, (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement, including as an additional reserve fund, in each case to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be), no later than the corresponding date or dates specified in the True-Up Letter, and (C) to make timely payment of all other Ongoing Financing Costs that are to become due during the related Annual Collection Period.

(d) If the Issuer determines, in consultation with the Calculation Agent, that the calculation of any adjustment to the Revitalization Charges is mathematically inaccurate, then, promptly upon receipt of notice of such determination from the Issuer, the Servicer, on behalf of the Corporation, shall correct the True-Up Adjustment calculations and submit the corrected True-Up Letter to the Issuer and the Calculation Agent for review. If the Servicer, in consultation with the Issuer and the Calculation Agent, determines that the True-Up Letter can be corrected not later than the True-Up Adjustment Date, the Servicer shall proceed to make such corrected True-Up Adjustment. Otherwise, the Servicer shall take the corrections into account not later than the next succeeding True-Up Adjustment filing with the Issuer on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

(e) The Servicer agrees to abide by the recommendation of any dispute calculation agent or expert appointed pursuant to Section 3.07(c) of the Trust Agreement.

Section 4.02 Semiannual True-Up Adjustments. The Servicer shall file a True-Up Letter for a Semiannual True-Up Adjustment with the Issuer not later than _____, and _____ of each year (each a “Semiannual Filing Date”). Each True-Up Letter shall specify the applicable True-Up Adjustment Date, which shall be not earlier than 30 days, nor later than 45 days following the corresponding Semiannual Filing Date. Not later than 60 days prior to each Semiannual Filing Date, the Servicer shall prepare and file with the Issuer, the Trustee and the Calculation Agent a proposed, completed True-Up Letter for review. Not later than 10 days prior to the Semiannual Filing Date, the Issuer shall provide, or shall cause the Calculation Agent to provide, the Servicer with any comments and corrections to the proposed form of the True-Up Letter. The Servicer shall deliver the True-Up Letter, after reviewing and considering such comments, to the Issuer not later than ___ days prior to the True-Up Adjustment Date set forth in the True-Up Letter.

Section 4.03 Optional True-Up Adjustments. The Servicer shall file a True-Up Letter at any time if (1) the Servicer, on its own volition, determines, or (2) the Calculation Agent, on behalf of the Issuer, determines, or (3) the Servicer is otherwise advised by the Calculation Agent, or (4) if the Servicer is in default under this Agreement, the Trustee or any party to an Ancillary Agreement determines that such Optional True-Up Adjustment is required to ensure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs. If the Calculation Agent requests the Servicer to initiate an Optional True-Up Adjustment, it shall give the Servicer, as well as the Issuer and the Trustee copy of such request. Upon receipt of such request, or on its own volition, the Servicer shall prepare and file with the Issuer, the Trustee and the Calculation Agent a proposed, completed True-Up Letter for review, which shall specify a True-Up Adjustment Date not earlier than 30 days after the date that the True-Up Letter is filed with the Issuer. The Issuer, the Trustee and the Calculation Agent shall promptly review the True-Up Letter, and provide any comments within five Business Days of receipt. The Servicer shall file the True-Up Letter, after reviewing such comments, with the Issuer not later than 30 days prior to the True-Up Adjustment Date set forth in the True-Up Letter.

ARTICLE V

THE SERVICER

Section 5.01 Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, upon which the Issuer has and will rely in entering into this Agreement, relating to the servicing of the Financing Property. The representations and warranties shall survive the execution and delivery of this Agreement and the pledge thereof to the Trustee pursuant to the Trust Agreement.

(a) Organization. The Servicer is a duly organized public corporation and governmental instrumentality of the Commonwealth, established and existing by virtue of Act No. 40 of the Legislative Assembly of Puerto Rico, approved May 1, 1945, as amended, reenacted and supplemented, with the requisite power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by it, to service the Financing Property and to hold the Financing Property and Financing Property Documentation as custodian.

(b) Power and Authority. The Servicer has the requisite power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Servicer.

(c) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer, enforceable against the Servicer in accordance with its terms,

(d) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not: (i) 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 bylaws of the Servicer, the PRASA Trust Agreement, or any other material

indenture, agreement or other instrument to which the Servicer is a party or by which it is bound or to which it or any of its property or other assets are otherwise subject; (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of the PRASA Trust Agreement and any such other indenture, agreement or other instrument; or (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any federal, state (to the best of its knowledge and after due inquiry) or Commonwealth court or regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties or other-assets.

(e) Approvals. No approval, authorization, consent, order or other action of, or registration or other filing with, any federal, state (to the best of the Servicer's knowledge and after due inquiry) or Commonwealth court, regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article III or IV hereof.

(f) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and no investigations pending or threatened, before any federal, state or Commonwealth court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties or other assets involving or relating to the Servicer or the Issuer or, to the Servicer's knowledge, any other Person (nor to the knowledge of the Servicer is there any basis therefor): (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this 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 against the Servicer of, this Agreement.

(g) Reports and Certificates. Each report and certificate delivered by the Servicer to the Issuer, the Calculation Agent or the Depository, with respect to the Revitalization Charges, Estimated Revitalization Charge Collections, Revitalization Charge Revenues or True-Up Adjustments, will constitute a representation and warranty by the Servicer that each such report or 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 estimates, 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 estimates are made in good faith and such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and in either case are based on facts known to the Servicer on the date such report or certificate is delivered).

(h) No Sovereign Immunity. Under existing law, the Servicer is not entitled to raise the defense of sovereign immunity in connection with any legal proceeding relating to this Agreement.

Section 5.02 Indemnities of Servicer.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement.

(b) The Servicer shall indemnify the Issuer, the Calculation Agent, the Depository, the Trustee (for itself and on behalf of the Bondholders), and the Bondholders and each of their respective trustees, members, managers, officers, directors, employees and agents for, and defend and hold harmless each such Person (each, an “Indemnified Person”) from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of:

(i) the Servicer’s negligence or willful misconduct in the performance of its duties or observance of its covenants under this Agreement or the Servicer’s reckless disregard of its obligations and duties under this Agreement;

(ii) the Servicer’s breach of any of its representations or warranties in this Agreement;

(iii) litigation and related expenses relating to its status and obligations as Servicer; and

(iv) litigation and related expenses relating to or arising out of any negligent act by Third Party Billers employed or used by the Servicer to perform any of its obligations under this Agreement;

provided, however, that the Servicer shall not be liable to an Indemnified Person for any Losses (i) resulting from the willful misconduct or gross negligence of such Indemnified Person pursuant to this Section 5.02, or (ii) resulting from a breach of a representation, warranty, covenant or agreement made by such Indemnified Person in any of the Basic Documents that gives rise to the Servicer’s breach; and provided, further, however, if the indemnification provided for in this Section 5.02 is unavailable to an Indemnified Person in respect of any Losses, for any reason, then the Servicer, to the extent permitted under applicable law, in lieu of indemnifying such Indemnified Person hereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the Servicer on the one hand and of the Indemnified Person on the other. Amounts payable by PRASA to an Indemnified Person on account of Losses pursuant to this Section 5.02 shall be payable as set forth in the PRASA Trust Agreement.

Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 5.02, notify the Servicer in writing of such involvement. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.02 only to the extent of the actual prejudice suffered by the Servicer as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 5.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption

by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel. Unless a Servicer Default has occurred and is continuing, the Indemnified Person shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Servicer agrees in writing to such settlement, compromise or consent and such settlement, compromise or consent includes an unconditional release of the Servicer from all liability arising out of such claim, action, suit or proceeding. The Servicer shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Indemnified Person agrees in writing to such settlement, compromise or consent.

(c) The Servicer shall indemnify the Trustee and its officers, directors and agents for, and defend and hold harmless each such Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of the acceptance or performance of the trusts and duties contained herein and in the Trust Agreement, except to the extent that any such Loss is due to the willful misconduct, bad faith or gross negligence of such Person; provided, however, that the indemnity under this Section 5.02(c) is extended to the Trustee solely in its individual capacity and not for the benefit of the Bondholders or any other Person. Such amounts with respect to the Trustee shall be deposited and distributed in accordance with the Trust Agreement.

(d) The Servicer's indemnification obligations under Section 5.02(b)-(c) for events occurring prior to the removal or resignation of the Trustee or the termination of this Agreement shall survive the resignation or removal of the Trustee or the termination of this Agreement and shall include reasonable costs, fees and expenses of investigation and litigation (including the Issuer's and the Trustee's reasonable attorneys' fees and expenses).

(e) Except to the extent expressly provided for in the Basic Documents (including the Servicer's claims with respect to the Servicing Fees), the Servicer hereby releases and discharges the Issuer (including its trustees, officers, employees and agents, if any), the Trustee (including its officers, directors and agents) and the Bondholders (including their respective trustees, officers, employees and agents, if any) (collectively, the "Released Parties") from any and all actions, claims and demands whatsoever, which the Servicer shall or may have against any such Person relating to the Financing Property or the Servicer's activities with respect thereto other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

(f) The Servicer will not indemnify any Person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Bonds or for any consequential damages, including any loss of market value of the Bonds, resulting solely from any downgrade of the ratings on the Bonds.

(g) Notwithstanding the indemnification provisions contained in any agreements entered into by the Servicer with any Third Party Billers, the Servicer shall not be relieved of its obligations to indemnify each Indemnified Person as provided in this Section 5.02.

Section 5.03 Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person (a) into which the Servicer may be merged or consolidated, (b) that may result from any merger or consolidation to which the Servicer shall be a party or (c) that may succeed to a substantial portion of the System Assets of the Servicer, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer under this Agreement, shall be the successor to the Servicer under this Agreement without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 5.01 shall have been breached and no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, and the Rating Agency Condition shall have been satisfied, (ii) the Servicer shall have delivered to the Issuer and the Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer and the Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all statutory filings to be made by the Servicer, including any filings under the applicable UCC, that are necessary fully to preserve and protect the interests in the Financing Property of the Issuer, the Trustee, the Bondholders or any Person with any such interest in the Financing Property have been executed and filed and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests, (iv) the Servicer shall have delivered to the Issuer and the Trustee an opinion of Bond Counsel (as selected by, and in form and substance reasonably satisfactory to, the Servicer, and which may be based on a ruling from the Internal Revenue Service) to the effect that, for federal income tax purposes, such consolidation or merger or assumption of the obligations will not adversely affect the exclusion of interest on the Bonds for federal income tax purposes, and (v) a copy of the agreement of assumption shall have been delivered to the Issuer.

The Servicer shall not consummate any transaction referred to in subclauses (a), (b) or (c) above except upon execution of the above-described agreement of assumption and compliance with subclauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the a substantial portion of the System Assets of the Servicer, and becomes the successor to the Servicer in accordance with the terms of this Section 5.03, then upon satisfaction of all of the other conditions of this Section 5.03, such successor Servicer shall be the Servicer for all purposes hereunder; provided, however, that the Servicer covenants and agrees with the Issuer and the Trustee that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, necessary to assist the successor Servicer in performing its obligations hereunder.

Section 5.04 Assignment. If permissible under Section 5.06, the Servicer may assign any or all of its obligations hereunder to any successor if either (i) the Rating Agency Condition and any other condition specified in the Financing Resolution or the Trust Agreement have been satisfied or (ii) the Servicer is replaced by a successor pursuant to Section 5.03 hereof. In either

such case, a copy of any servicing agreement or agreement of assumption shall be promptly delivered to the Issuer and the Trustee upon execution by the applicable parties.

Section 5.05 Limitation on Liability of Servicer and Others. The Servicer shall not be liable to the Issuer, the Calculation Agent, the Depository or the Trustee, except as provided under this Agreement, for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action incidental to its duties to service the Financing Property in accordance with this Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability for which it has not been reasonably indemnified.

Section 5.06 PRASA Not to Resign as Servicer. Subject to the provisions of Sections 5.03 and 5.04, PRASA shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon a final, non-appealable determination that PRASA's performance of its duties under this Agreement shall no longer be permissible under applicable law. Notice of any such determination permitting the resignation of PRASA shall be communicated to the Issuer, the Depository, the Calculation Agent, the Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Calculation Agent, the Depository and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 6.04.

Section 5.07 Servicing Fee. The Issuer agrees to pay the Servicer an annual servicing fee (the "Servicing Fee") for all obligations to be performed by the Servicer under this Agreement. For so long as PRASA is the Servicer, the initial Servicing Fee shall be 0.05% of the initial principal amount of the Bonds. Such Servicing Fee shall be increased on each anniversary date by the year-over-year percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) (not seasonally adjusted) for the most recently completed twelve-month period for which such data are available. The foregoing fee constitutes a fair and reasonable price for the obligations to be performed by the Servicer and is not less than the estimated incremental cost of performing the services required by this Agreement exclusive of the expenses payable under Section 5.08.

Section 5.08 Servicer Expenses. Except as otherwise expressly provided herein and to the extent not included in the calculation of the Servicing Fee, the Issuer shall pay all reasonable third party expenses incurred by the Servicer in connection with its activities hereunder (including any fees to and disbursements by accountants, counsel, or any other Person, and any

expenses incurred in connection with reports to Bondholders, subject to the priorities set forth in Section [8.02(e)] of the Trust Agreement).

Section 5.09 Subservicing. The Servicer may at any time contract with a subservicer to perform all or any portion of its obligations as Servicer hereunder; provided, however, that the Rating Agency Condition and any other condition set forth in the Trust Agreement shall have been satisfied in connection therewith; and provided further that the Servicer shall remain obligated and be liable to the Issuer, the Depository, the Calculation Agent, the Trustee, the Bondholders, the parties to the Ancillary Agreements and any owner of the Financing Property for the servicing and administering of the Financing Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such subservicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Financing Property. The fees and expenses of the subservicer shall be as agreed between the Servicer and its subservicer from time to time, and none of the Issuer, the Trustee, the Bondholders, the parties to the Ancillary Agreements or the owner of Financing Property shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 5.06. In addition to the foregoing, the Issuer may, upon being advised by its consultants, appoint one or more subservicers or co-servicers, if the Issuer determines that such appointment is likely to (i) prevent or delay an imminent negative ratings action by any Rating Agency, (ii) facilitate a reversal of any such negative ratings action, or (iii) result in a positive ratings action by any Rating Agency. The Issuer may also appoint one or more back-up servicers.

Section 5.10 Servicer Advances. PRASA, in its capacity as Servicer hereunder, shall have the option to make advances to the Issuer, upon request by the Issuer or the Trustee, with respect to Revitalization Charge Revenues, provided that such advances are made on an arm's length basis. The parties agree that Estimated Revitalization Charge Collections represent a good faith estimate of actual collections of Revitalization Charges received by the Servicer and do not represent an advance or borrowing by the Servicer.

Section 5.11 Remittances. As soon as possible but no later than the second Business Day following receipt by the Servicer, the Servicer shall cause all Customer Revenues, including without limitation all Revitalization Charge Collections (from whatever source), to be deposited into the Allocation Account held by the Depository. As provided in Section 3.03 hereof, the Servicer shall cause the Depository to remit the Daily Remittances to the Trustee for deposit into the Collection Account.

In the event of any change of account or change of the Depository or the Trustee or any other institution affecting the remittances of Revitalization Charges, the Issuer shall provide written notice thereof to the Servicer by the earlier of: (A) five Business Days from the effective date of such change, and (B) five Business Days prior to the next applicable Deposit Date.

Section 5.12 Protection of Title. The Servicer shall execute and file such filings and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the interests of the Issuer, the Trustee, the Bondholders or any owner of the Financing Property in the Financing Property, as their interests may appear, including all filings, if any, required under the UCC or the Act relating to the

security interest granted by the Issuer to the Trustee and the Bondholders in the Financing Property and the liens granted for the benefit of the Trustee under the Depository Agreement. The Servicer shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The costs of any such action reasonably allocated by the Servicer to the Financing Property shall be payable from Revitalization Charge Collections as an Ongoing Financing Cost in accordance with the Trust Agreement. The Servicer's obligations pursuant to this Section 5.12 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Trust Agreement may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 5.12).

Section 5.13 Tax-Exempt Bonds. The Servicer shall comply with the tax certificates to be executed and delivered by it in connection with the issuance of the Bonds and with letters of instruction, if any, delivered by Bond Counsel in connection with the issuance of the Bonds, as such tax certificates and letters may be amended from time to time. Notwithstanding anything else in this Agreement to the contrary, the covenants of this Section 5.13 shall survive the payment, redemption or defeasance of the Bonds and the termination of this Agreement.

Section 5.14 Compliance with Article 5 of the Act. The Issuer and the Servicer each agree to comply with the provisions of Article 5 of the Act so as to maintain the separateness of the Issuer and the Servicer, including the following:

(a) Pursuant to Article 5(e) of the Act, each of the Issuer and the Servicer shall maintain its books, financial records and accounts (including inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity from those of any other Person; each shall observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Issuer, the Servicer and any Person will reflect the separate legal existence of each entity and shall be formally documented in writing. The Issuer shall not enter into any transaction with an affiliate of the Servicer, the Issuer, [AAFAF] or the Commonwealth, except on terms similar to those available to unaffiliated Persons in an arm's length transaction.

(b) Pursuant to Article 5(f) of the Act, the Issuer and the Servicer shall each have separate annual financial statements, prepared in accordance with generally accepted accounting principles, that reflect the separate assets and liabilities of each such entity and all transactions and transfers of funds involving each such entity, and each shall pay or bear the cost of the preparation of its own financial statements regardless of whether such public accounting firm prepares or audits the financial statements of the Issuer or the Servicer.

(c) Pursuant to Article 5(g) of the Act, the Issuer and the Servicer shall pay their respective liabilities and losses from their own respective separate assets. In furtherance of the foregoing, the Issuer shall compensate all employees, consultants, independent contractors and agents from its own funds for services provided to it by such employees, consultants,

independent contractors and agents. The Issuer shall maintain sufficient employees in light of its contemplated business purpose.

(d) Pursuant to Article 5(h) of the Act, each of the Issuer and the Servicer shall maintain its assets, funds and liabilities separate and apart from the assets, funds and liabilities of any other Person, and will conduct all business between either the Issuer or the Servicer and third parties in their own name separate and distinct from the other. Both entities shall correct any known misunderstanding regarding its separate identity.

(e) Pursuant to Article 5(i) of the Act, neither the assets nor the creditworthiness of the Servicer shall be held out as being available for the payment of any liability of the Issuer, and vice versa. Assets shall not be transferred between the Servicer and the Issuer inconsistently with the Act or with the intent to hinder or defraud creditors.

(f) Pursuant to Article 5(j) of the Act, the Servicer in its papers and the statements of its officials shall refer to the Issuer as a separate and distinct legal entity; and shall take no action that is inconsistent with the Act or that would give any of its creditors cause to believe either that any such obligations incurred by the Servicer are also obligations of the Issuer, or that the Servicer were not or would not continue to remain an entity separate and distinct from the Issuer.

Section 5.15 Servicer's Obligations Under the Act. The Servicer shall comply with all of its obligations under the Act.

ARTICLE VI

DEFAULT

Section 6.01 Servicer Default. If any one of the following events (each a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to cause all Customer Revenues, including all Revitalization Charge Collections (from whatever source), received by the Servicer to be deposited into the Allocation Account as provided in Sections 3.03 and 5.11 or any failure by the Servicer to cause the Depository to transfer to the Trustee any required Daily Remittance and cause other amounts received from Collateral to be deposited to the Collection Account pursuant to Sections 3.03 and Section 5.11 hereof that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Issuer, the Trustee or any party to an Ancillary Agreement; or

(b) any failure of the Servicer to provide information to the Calculation Agent in connection with the verification of a True-Up Adjustment [or a Semiannual Reconciliation Certificate] within five Business Days unless such period is impracticable and a larger period, not exceeding 10 Business Days has been requested by the Servicer after written notice thereof from the Calculation Agent, the Issuer, the Trustee or any party to an Ancillary Agreement; or

(c) any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement of the Servicer set forth in this Agreement, and continues unremedied for a period of 30 days after written notice of such failure has been given to the

Servicer by the Issuer, the Depository, the Calculation Agent, the Administrator, the Trustee or any party to an Ancillary Agreement or after discovery of such failure by an officer of the Servicer;

(d) any representation or warranty made by the Servicer in this Agreement proves to have been incorrect when made, which has an adverse effect on the Issuer or the Bondholders, or the rights of the Issuer, Bondholders or parties to Ancillary Agreements in the Financing Property, and which adverse effect continues unremedied for a period of 45 days after the date on which written notice thereof has been given to the Servicer by the Issuer, the Trustee or any party to an Ancillary Agreement or after discovery of such failure by an officer of the Servicer, as the case may be;

(e) an Insolvency Event occurs with respect to the Servicer; or

(f) a moratorium, a stay or an emergency period which prevents the Servicer from being able to perform any of its obligations under this Agreement (or exempts the Servicer from performing any such obligations) is declared under (i) Act 21 of 2016 or (ii) any federal or other Commonwealth law or order;

then, and in each and every case, so long as the Servicer Default shall be continuing, either the Issuer or the Trustee may by notice then given in writing to the Servicer (and to the Trustee if given by not less than a majority of the Outstanding Amount of the Eligible Bonds) (a "Termination Notice") terminate all the rights and obligations of the Servicer under this Agreement (other than the Servicer's indemnification obligations set forth in Section 5.02 hereof and the Servicer's obligation under Section 6.04 to continue performing its functions as Servicer until a successor Servicer is appointed, which obligations shall remain ongoing).

In addition upon a Servicer Default, the Issuer and the Trustee may as against the Servicer:

- (A) apply to any court of competent jurisdiction for an order of seizure or sequestration and payment of revenues arising with respect to the Financing Property or any other applicable remedy;
- (B) seek a writ of mandamus as specified in Section 7.03 hereof;
- (C) resort to any court, including any federal court, to require, an order of seizure and payment of the Revitalization Charge Revenues, or any other applicable remedy. If such court determines that such Servicer Default exists, it shall issue the requested seizure and payment order. The order shall remain valid notwithstanding any bankruptcy, reorganization, or any other insolvency procedure with respect to the Servicer, the Issuer, PRASA or any other Person; or
- (D) exercise the remedies set forth in Section 7.04 hereof.

In addition, any party to an Ancillary Agreement may seek a writ of mandamus as specified in Section 7.03 hereof. Nothing in this Section 6.01 shall permit the Issuer or the Trustee to

directly initiate or maintain any action to suspend or terminate the water or sewer service of any Customer.

On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Financing Property, the Revitalization Charges or otherwise, shall, upon appointment of a successor Servicer pursuant to Section 6.04, without further action, pass to and be vested in such successor Servicer and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Financing Property Documentation and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Trustee, the Issuer and the Depository in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Financing Property or the Revitalization Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Financing Property Documentation to the successor Servicer. All reasonable costs and expenses (including attorneys' fees and expenses) incurred in connection with transferring the Financing Property Documentation to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 6.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses.

Section 6.02 Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Trustee, the Calculation Agent, the Depository and each Rating Agency, promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice in an Officer's Certificate of any event or circumstance which with the giving of notice or passage of time, or both, would become a Servicer Default under Section 6.01.

Section 6.03 Waiver of Past Defaults. The Trustee, with the consent of the Requisite Bondholders and the party (other than the Trustee) to each Ancillary Agreement, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences. The Servicer shall provide notice of any such waivers to each Rating Agency, promptly after its receipt thereof from the Trustee. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.04 Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 6.01 or the Servicer's resignation in accordance with the terms of this Agreement, the Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee and reimbursement of expenses as provided herein, until a successor Servicer is qualified and has assumed in writing the obligations of the

Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Issuer, subject to the prior consent or contrary direction of the Trustee, or the Trustee, shall designate a successor Servicer, provided that if the Issuer is in default on its obligation under the Trust Agreement, the Trustee shall appoint a successor Servicer. If within 30 days after the delivery of the Termination Notice, a new Servicer has not accepted such appointment, the Trustee may petition a court of competent jurisdiction to appoint a successor Servicer under this Agreement. If within 60 days after the delivery of the Termination Notice, a new Servicer has not accepted such appointment and the Trustee has not petitioned a court of competent jurisdiction in accordance with the immediately preceding sentence, a party to any Ancillary Agreement in respect of which an Ancillary Agreement Event has occurred and is continuing and/or the Requisite Bondholders may petition a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is not prohibited from performing the duties of the Servicer pursuant to the Act, the Financing Resolution, the Trust Agreement and this Agreement, (ii) the Rating Agency Condition has been satisfied and (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer under this Agreement and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

(c) The successor Servicer may resign only in accordance with Section 5.06 of this Agreement.

Section 6.05 Cooperation with Successor. The Servicer covenants and agrees with the Issuer and the Trustee that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, necessary to assist the successor Servicer in performing its obligations hereunder and under any successor servicing agreement.

ARTICLE VII

THIRD PARTY BENEFICIARY PROVISIONS

Section 7.01 Trustee, Bondholders, parties to Ancillary Agreements Third Party Beneficiaries. The Trustee, the Bondholders and parties to Ancillary Agreements are express and intended third party beneficiaries under this Agreement. The Trustee, or a party to any Ancillary Agreement shall be entitled to enforce this Agreement against the Servicer, as and to the extent provided herein or the Trust Agreement, to the same extent as if the Trustee and such parties were parties hereto. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns hereunder, the Trustee, the Bondholders, parties to Ancillary Agreements and their respective permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or under or by virtue of any provision herein.

Section 7.02 Issuer Action. Any action taken by the Issuer with respect to the Servicer, including (subject to the provisions of hereof) the replacement of the Servicer, is subject to the prior consent of or contrary direction of the Trustee on behalf of the Bondholders or as directed by Requisite Bondholders and/or parties to an Ancillary Agreement, in accordance with the terms of the Trust Agreement.

Section 7.03 Mandamus. The adjustment of the Revitalization Charges is a ministerial act of the Servicer and should the Servicer fail in any respect with respect to its duties to establish or adjust the Revitalization Charges at any time, the Trustee, a party to any Ancillary Agreement or the Issuer shall be entitled, upon application or petition therefor, to a writ of mandamus requiring the Servicer to establish or adjust the Revitalization Charges in accordance with this Agreement and the Financing Resolution.

Section 7.04 Rights and Remedies. As and to the extent as provided in the Trust Agreement or any Ancillary Agreement, as the case may be, any owner of Financing Property, the Trustee, or any party to any Ancillary Agreement may exercise any rights and remedies provided in such Trust Agreement and Ancillary Agreement and, as to the Trustee and any owner of the Financing Property, any rights and remedies provided in the Act.

Section 7.05 Actions in Lieu of the Trustee. The Requisite Bondholders or the parties to the Ancillary Agreement, as applicable, may act in lieu of the Trustee under this Agreement, as and to the extent permitted under the Act, the Trust Agreement and the Ancillary Agreements.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01 Amendment.

(a) This Agreement may be amended by the Servicer and the Issuer, with the consent of the Trustee and the satisfaction of the Rating Agency Condition, provided that any such amendment is not prohibited by the Act or the Financing Resolution. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies.

Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement and the Opinion of Counsel referred to in Section 5.06. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) The Servicer shall promptly provide each of the Rating Agencies with a copy of any amendment to this Agreement or of any successor Servicer Agreement.

(c) Notwithstanding the foregoing, no amendment or modification of this Agreement shall be effective without the prior written consent of each party to Ancillary Agreements that is materially adversely affected by such amendment or modification.

Section 8.02 Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States mail with proper postage for ordinary mail prepaid:

- (a) if to the Servicer, to:

Puerto Rico Aqueduct and Sewer Authority

Attention: [Office of the General Counsel]

Telephone: (____) _____

Telecopy: (____) _____

Email: _____

- (b) if to the Issuer, to:

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation

Attention: _____

Telephone: (____) _____

Telecopy: (____) _____

Email: _____

- (c) if to the Trustee, to:

Attention: _____

Telephone: (____) _____

Telecopy: (____) _____

Email: _____

- (d) if to Moody's, to:

Moody's Investors Service, Inc.

7 World Trade Center, 250 Greenwich Street, 25th Floor,

New York, New York 10007

Attention: ABS/RMBS Monitoring Department

E-mail: ServicerReports@moodys.com

(e) if to Standard & Poor's, to:

Standard & Poor's Ratings Services
55 Water Street
New York, New York 10041
Attention: Structured Credit Surveillance
E-mail: servicer-report@standardandpoors.com
Telephone: (212) 438-8991

(f) if to Fitch, to:

Fitch Ratings
33 Whitehall Street
New York, New York 10004
Attention: ABS Surveillance
Email: surveillance-abs-other@fitchratings.com
Telephone: (212) 908-0500

(g) if to the Calculation Agent:

(h) if to the Depository:

(i) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 8.03 Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer, the Depository, the Calculation Agent, the parties to the Ancillary Agreements, the Bondholders, the Trustee and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the Trustee or as set forth in the Trust Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Financing Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.04 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such. provision in any other jurisdiction.

Section 8.05 Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of any executed signature page of this Agreement by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 8.06 Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.07 Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of New York, applied as if this Agreement were executed in New York and to be performed entirely within New York, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction. Notwithstanding the foregoing, all matters of the constitutional and statutory law of the Commonwealth of Puerto Rico (including the Act) and the Financing Resolution, all rights of the Issuer or the Servicer against any Customer by virtue of the Act and of the effect of the judgments and decrees of the Commonwealth courts, shall in all events be governed by the law of the Commonwealth of Puerto Rico. To the extent permitted by law, the Servicer hereby submits to, and waives any objection to, venue in any federal or state court located in the Borough of Manhattan, City of New York, New York.

Section 8.08 Collateral Assignment to Trustee. The Servicer hereby acknowledges the grant of a security interest and collateral assignment by the Issuer pursuant to the Trust Agreement of all of the Issuer's rights hereunder to the Trustee for the benefit of the Bondholders and the Trustee, and the parties to any Ancillary Agreement. The Trustee shall succeed to all of the Issuer's rights in the manner set forth in the Trust Agreement.

Section 8.09 Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Trust Agreement, but subject to the right of a court of competent jurisdiction to order the sequestration and payment of revenues arising with respect to the Financing Property and notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to any person or entity permitted pursuant to Article 13 of the Act, the Servicer shall not, prior to the date which is one year and one day after no Bonds are outstanding or any Ancillary Agreement with payment obligations that have or may become due thereunder are owing by the Issuer, petition or otherwise invoke or cause the Issuer to invoke the process of any court or governmental authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or Commonwealth bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or, to the fullest extent permitted by law, ordering the winding up or liquidation of the affairs of the Issuer.

Section 8.10 Termination. This Agreement shall terminate when all Bonds have been retired, redeemed, defeased or paid or deemed paid in full and all other Ongoing Financing Costs have been paid in full and the Servicer has disposed of all remaining Revitalization Charges in the manner required by the Financing Resolution and the Trust Agreement; provided, however, that this Section 8.10 shall not apply to those rights and/or obligations set forth in this Agreement that expressly survive the termination of this Agreement. Termination pursuant to this Section 8.10 or otherwise provided herein shall be without prejudice to any rights of the Issuer, the Trustee, the Bondholders, any party to an Ancillary Agreement, the Servicer or any other Person which may have accrued through the date of termination hereunder.

Section 8.11 [Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Basic Document to which it is a party for the purposes of determining the initial credit rating of the Bonds or undertaking credit rating surveillance of the Bonds with any Rating Agency, shall be, substantially concurrently, posted by the Servicer on the 17g-5 Website.]

Section 8.12 Continuing Disclosure Under Rule 15c2-12. The Servicer shall prepare and provide to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access system (“EMMA”), in the format prescribed by the Municipal Securities Rulemaking Board, the reports, certificates and notices required of it under the Continuing Disclosure Agreement.

Section 8.13 No Set-off, Counterclaim or Defense. The Financing Property, Revitalization Charges, Revitalization Charge Revenues, and the interests of a Bondholder, any party to an Ancillary Agreement, Financing Entity or any other Person in Financing Property or in Revitalization Charge Revenues are not subject to set-off, counterclaim, surcharge or defense by the Servicer, the Issuer, PRASA, holders of any other debt issued by PRASA (or any other creditors of PRASA) or in connection with any default, bankruptcy, reorganization or other insolvency proceeding of any of the foregoing Persons.

Section 8.14 Third Party Billers.

(a) If at any time in the future the Commonwealth takes any action to amend the Act to permit the billing and/or collecting of Revitalization Charges by Third Party Billers, the Servicer, for the benefit of the Bondholders, shall take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be necessary to (A) if the Servicer, any party to an Ancillary Agreement, the Trustee or Requisite Bondholders reasonably believe that such action could result in a downgrade of the Bonds or is otherwise contrary to the Act or the Financing Resolution, block or overturn such action of the Commonwealth, including by asserting that such action violates the Commonwealth Pledge (as defined in the Trust Agreement); and (B) if such challenge or opposition fails, compel performance by the Commonwealth of its obligations and duties under the Act or the Financing Resolution, as applicable, with respect to Third Party Billers, including but not limited to ensuring that the implementation of any such amendment, supplement, rule or regulation does not result in a downgrade in the credit ratings assigned to the Bonds and otherwise conforms with the matters referenced in Annex I hereto;

(i) the Servicer, for the benefit of the Bondholders, will take reasonable steps to monitor on an ongoing basis proceedings in the legislature of the Commonwealth for proposed legislation, rules, regulations or other initiatives that could reasonably result in the taking by the Commonwealth any action referenced in this paragraph (a); and

(ii) the costs of any action taken by, and the obligations of, the Servicer under this Section shall be treated in the same manner as expenses under Section 5.08.

(b) Should the laws of the Commonwealth be changed to permit the billing and/or collecting of Rates and Revitalization Charges by Third Party Billers, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as would be necessary to properly enforce the obligations of each Third Party Biller to remit Rates and Revitalization Charges, in accordance with the terms and provisions of the Financing Resolution.

IN WITNESS WHEREOF, the parties hereto have caused this Financing Property Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

PUERTO RICO AQUEDUCT AND SEWER
AUTHORITY REVITALIZATION
CORPORATION, as Issuer

By: _____
Name:
Title:

PUERTO RICO AQUEDUCT AND SEWER
AUTHORITY, as Servicer

By: _____
Name:
Title:

Acknowledgement of Section 7.01 hereof.

[TRUSTEE], as Trustee under
the Trust Agreement

By: _____
Name:
Title:

ANNEX 2

CERTIFICATES AND ADJUSTMENTS

The Servicer agrees to comply with the following with respect to the Issuer:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Financing Property Servicing Agreement dated as of [_____, 2016], between the Issuer and PRASA, as Servicer (the “Servicing Agreement”).

SECTION 2. Monthly Servicer Certificates. On or before the [15th] Business Day following the end of each calendar month, commencing with [_____, 2016], the Servicer will deliver to the Depository, the Issuer, the Administrator, the Calculation Agent, the Trustee and each Rating Agency a monthly certificate in substantially the form of Exhibit C hereto (the “Monthly Servicer Certificate”) showing: (a) the total amount of Customer Revenues deposited into the Allocation Account, either by the Servicer, directly by Customers or otherwise, during the month and through the end of the current Collection Period (b) the Estimated Revitalization Charge Collections transferred to the Collection Account during the month and through the end of the current Collection Period, (c) the PRASA Charges transferred to PRASA during the month and through the end of the current Collection Period and (d) the amount of any transfers or reductions in respect of Excess Remittances or the Remittance Shortfalls required pursuant to Section 3.03(f) of the Servicing Agreement.

SECTION 3. Semiannual Servicer Certificates. At least one Business Day before each Payment Date, the Servicer shall provide the Issuer, the Trustee, the Administrator, each Rating Agency and the Calculation Agent with a certificate in substantially the form of Exhibit D hereto (the “Semiannual Servicer Certificate”) showing, inter cilia, the amounts to be paid to Bondholders on such Payment Date, the amounts to be paid with respect to other Ongoing Financing Costs (in reasonable detail) on or following such Payment Date, and all transfers required to be made into the various funds and accounts held under the Trust Agreement.

SECTION 4. Annual Statement of Compliance. The Servicer shall provide the Certificate of Compliance required by Section 3.06 of the Servicing Agreement in substantially the form of Exhibit E hereto to the Issuer, the Trustee, the Administrator, each Rating Agency and the Calculation Agent.

SECTION 5. Post-Issuance Report. If the estimates of Upfront Financing Costs or Ongoing Financing Costs need to be updated from the information provided in the Designee Certificate, the Servicer shall prepare, on behalf of the Issuer, and deliver to the Issuer and the Administrator a post-issuance report, which shall update such information in a revised form of the Designee Certificate, not later than ten (10) days following the issuance date of the Bonds.

SECTION 6. Annual Report to Issuer. The Servicer shall prepare and provide to the Issuer a report, in substantially the form of Exhibit G hereto, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Bonds at the close of such calendar year [(taking into account any principal payment made on such Bonds on or about January 1 immediately succeeding such calendar year close),] the amount paid on such Bonds in respect of such calendar year, the Ongoing Financing Costs (in

detail) paid in such prior year and the remaining Ongoing Financing Costs payable in the current year.

SECTION 7. Final Accounting Report. Not later than 120 days following final payment of the Bonds and the Financing Costs, the Servicer shall prepare and provide to the Issuer a final accounting report showing the Revitalization Charge Revenues on deposit with the Trustee and the method by which such charges will be credited back to Customers.

ANNEX 3

SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

SECTION 1. Definitions.

(a) Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Financing Property Servicing Agreement, dated as of [_____, 2016], between the Issuer and PRASA, as Servicer (the “Servicing Agreement”).

(b) Whenever used in this Annex 3, the following words and phrases shall have the following meanings:

“Applicable MDMA” means, with respect to each Customer, the meter data management agent or other person providing meter reading services for that Customer’s account.

“Billed Charges” means the amounts of Revitalization Charges billed to Customers.

“Bills” means each of the regular monthly bills, summary bills and other bills issued to Customers for Rates provided by the Servicer.

“Charge Effective Date” means the date on which the initial Revitalization Charge goes into effect as provided in the Servicing Agreement.

“Closing Bill” means the final bill issued to a Customer at the time service is terminated.

“Days Sales Outstanding” means the average number of days that monthly Bills to Customers remain outstanding during the calendar year immediately preceding the calculation of projected lags in collection of Billed Charges pursuant to Annex 1 of the Servicing Agreement. The initial Days Sales Outstanding shall be ___ days until updated pursuant to this Annex 3.

“Servicer Policies and Practices” means, with respect to the Servicer’s duties under this Annex 3, the policies and practices applicable to such duties that the Servicer (or its sub-services) follows with respect to the Rates and the Revitalization Charges.

SECTION 2. Data Acquisition.

(a) Installation and Maintenance of Meters. The Servicer shall use commercially reasonable efforts to cause to be installed, replaced and maintained meters in such places and in such condition as will enable the Servicer to obtain accurate usage measurements for each Customer approximately every 30 days or as provided in the applicable Rate tariff.

(b) Meter Reading. At least once each Billing Period, the Servicer shall obtain usage measurements from the Applicable MDMA for each Customer; provided, however, that the Servicer may determine any Customer’s usage on the basis of estimates.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including, but not limited to, the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer as a result of new metering and/or billing technologies.

SECTION 3. Usage and Bill Calculation.

The Servicer shall obtain or calculate each Customer's usage which is subject to the Revitalization Charge (which usage may be based on data obtained from such Customer's Meter read, from PRASA records, or on usage estimates determined in accordance with the Financing Resolution) at least once each Billing Period and shall determine therefrom the Revitalization Charge in accordance with the Financing Resolution, the Adjustment Mechanism and the Servicing Agreement.

SECTION 4. Billing.

The Servicer shall implement the Revitalization Charges as of the Revitalization Charges Effective Date and shall thereafter bill each Customer for each Customer's outstanding current and past due Revitalization Charges, until all payments of principal of and interest on the Bonds and all other Ongoing Financing Costs have been paid in full in accordance with the Trust Agreement, all in accordance with the following:

(a) Frequency of Bills; Billing Practices. In accordance with the Servicer's then-existing Servicer Policies and Practices, as such Servicer Policies and Practices may be modified from time to time, the Servicer shall generate and issue a Bill to each Customer for such Customer's Rates and Revitalization Charges as a general practice once approximately every 30 days, at the same time, with the same frequency and on the same Bill as that containing Rates to such Customer. In the event that the Servicer makes any material modification to these practices, it shall notify the Issuer, the Trustee, the parties to the Ancillary Agreements, the Depository and the Rating Agencies as soon as practicable, and in no event later than 60 Business Days after such modification goes into effect; provided, however, that the Servicer may not make any modification that could reasonably be expected to adversely affect the Bondholders.

(b) Format. Pursuant to the Financing Resolution, each Bill will identify the Revitalization Charges included in such Bill as a separate line item, and will include a statement, by means of a footnote or otherwise, to the effect that the Revitalization Charges belong to the Issuer.

(c) Delivery. The Servicer shall deliver all Bills to Customers

(i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices followed by the Servicer with respect to the Rates or

(ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time uses to bill the Rates to Customers. The Servicer shall pay from its own funds

all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. Customer Service Functions.

The Servicer shall handle all Customer inquiries and other Customer service matters according to the same procedures it uses to service Customers with respect to the Rates.

SECTION 6. Collections; Payment Processing; Remittances.

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall use Best Efforts to collect all Billed Charges from Customers as and when the same become due and, subject to its obligations under Section 3.04 of the Servicing Agreement, shall follow such collection procedures as it follows with respect to the Rates, including, as follows:

(A) The Servicer shall prepare and deliver overdue notices to Customers in accordance with the Servicer Policies and Practices.

(B) The Servicer shall apply late payment charges to outstanding Customer balances on the same basis as it applies late charges on its Rates.

(C) The Servicer shall deliver verbal and written final call notices in accordance with Servicer Policies and Practices.

(D) The Servicer shall adhere to and carry out disconnection policies in accordance with the Act, other applicable law and Servicer Policies and Practices.

(E) The Servicer may employ the assistance of collections agents in accordance with Servicer Policies and Practices.

(F) The Servicer shall apply Customer deposits, Customers' letters of credit and Customer posted surety bonds to the payment of delinquent accounts in accordance with Servicer Policies and Practices and according to the priorities set forth in Section 6(b)(ii), (iii) and (iv) of this Annex 3.

(G) The Servicer shall make use of any intercept provisions for non-payment of water and sewer or other rates by any public agency, municipality, public corporation or other governmental entity or Governmental Authority that is applicable to non-payment of water and sewer or other rates charged by the Servicer, to the extent such intercept provisions are permitted under applicable laws, orders and regulations.

(ii) The Servicer shall impose late charges for any Revitalization Charges on the same basis as it imposes late charges for its Rates. The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action:

(A) would be in accordance with the Servicer's customary practices or those of any successor Servicer with respect to other Customer Charges that it services for itself and for others;

(B) would not materially adversely affect the rights of the Bondholders; and

(C) would comply with applicable law; provided, however, that notwithstanding anything in the Servicing Agreement, including this Annex 3, to the contrary, the Servicer is authorized to write off any Billed Charges in accordance with its Servicer Policies and Practices that remain outstanding for more than 120 days and shall for the purpose of any True-Up Adjustment calculation, assume that any delinquency after 120 days is written off and uncollectible.

(iii) The Servicer shall accept payment from Customers in respect of Billed Charges in such forms, by such methods and at such times and places as it accepts payment of the Rates.

(iv) The Servicer shall terminate service to non-paying Customers on the same basis as termination of service is permitted for nonpayment of water and sewer or other rates by PRASA.

(b) Payment Processing; Allocation; Priority of Payments.

(i) The Servicer shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Business Days after receipt.

(ii) Subject to clause (iii) below, the Servicer shall apply payments received to each Customer's account in the same proportion that the Revitalization Charges contained in the outstanding Bill to such Customer bears to any other charges contained in such Bill.

(iii) Any amounts collected by the Servicer that represent partial payments of the total Bill to a Customer shall be allocated *pro rata* in accordance with Section 3.02(b) of the Servicing Agreement.

(iv) The Servicer shall cause all over-payments to be deposited into the Allocation Account and shall allocate such funds in accordance with clauses (ii) and (iii).

(c) Accounts; Records. The Servicer shall maintain accounts and records as to the Financing Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries with respect to the Financing Property and the amounts from time to time remitted to the Collection Account in respect of the Financing Property.

(d) Calculation of Daily Remittances, Excess Remittances and Remittance Shortfalls.

1. For purposes of calculating the Daily Remittance, (i) all Billed Charges shall be estimated to be collected the same number of days after billing as is equal to the Days Sales Outstanding then in effect (or, if such day is not a Business Day, on the next Business Day) and (ii) the Servicer will, on each Business Day, cause the Depository to remit to the Trustee for deposit into the Collection Account an amount equal to the product of the Billed Charges estimated to be collected on such Business Day multiplied by the difference of one hundred percent and [the percentage of projected uncollectibles used by the Servicer to calculate the most recent True-Up Adjustment pursuant to Annex 1 of the Servicing Agreement [and in the case of the first calculation, the percentage of projected uncollectibles identified in the initial True-Up Letter or Designee Certificate]]. Such product shall constitute the amount of Estimated Revitalization Charge Collections for such Business Day.
2. Pursuant to Section 3.03(f) of the Servicing Agreement, not later than fifteen days following each [June 30th] and [December 31st], commencing [xx 15, xxxx], the Servicer (a) shall calculate the amount, if any, by which Estimated Revitalization Charge Collections were less than or exceeded Actual Revitalization Charge Collections deposited into the Allocation Account, and (b) shall file with the Depository, the Trustee, the Calculation Agent and the Issuer a Semiannual Reconciliation Certificate, substantially in the form attached as Exhibit B to the Servicing Agreement. The calculations made in the Semiannual Reconciliation Certificate shall be confirmed to the Depository by the Calculation Agent prior to delivery to the parties, as evidenced by the signature of the Calculation Agent. Actual Revitalization Charge Collections will be calculated using actual data, including actual water and sewer services consumption, actual uncollectibles and actual lags in collection for the Reconciliation Period.
3. Prior to the filing for any Semiannual True-Up Adjustment, the Servicer shall update the Days Sales Outstanding, the projected lags in collection of Billed Charges and the projected uncollectibles to more accurately calculate such True-Up Adjustment and the Daily Remittances for the next Reconciliation Period.
4. The Servicer's calculations of collections, updates of the Days Sales Outstanding, the projected lags in collection of billed Revitalization Charges, the projected uncollectibles and any changes in procedures used to calculate the Estimated Revitalization Charge Collections pursuant to this Section 6(d) shall be made in good faith, and in the case of any update pursuant to Section 6(d)(3) above, in a manner reasonably intended to provide estimates and calculations that are at least as accurate as those that were provided on the Closing Date utilizing the initial procedures for calculation Estimated Revitalization Charge Collections and reconciling such collections with actual receipts.

(e) Remittances.

1. The Servicer shall make or cause payments to be made to the Collection Account or the Allocation Account in accordance with Section 3.03 and this Annex 3 of the Servicing Agreement.
2. In the event of any change of account or change of the Depository or the Trustee or any other institution affecting the remittances of Revitalization Charges, the Issuer shall provide written notice thereof to the Servicer by the earlier of:
 - (A) five Business Days from the effective date of such change, and
 - (B) five Business Days prior to the next applicable Deposit Date.

EXHIBIT A

FORM OF DAILY REMITTANCE CERTIFICATE

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Pursuant to the Financing Property Servicing Agreement, dated as of [_____, 2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer (the “Servicer”), and PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer of the Bonds (the “Issuer”), the undersigned on behalf of the Servicer does hereby certify, for _____, 20__ (the “Business Day”), as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement.

- (a) Total Customer Revenues on deposit in the Allocation Account: \$
- (b) Estimated Revitalization Charge Collections to be remitted by the Depository to the Trustee for deposit into the Collection Account: \$

(Billed Charges estimated to be collected on such Business Day x (100% - the projected percentage of uncollectibles used by Servicer to calculate most recent adjustment pursuant to the Adjustment Mechanism))

- (c) Remaining Customer Revenues to be remitted by the Depository Agent to PRASA: \$
- (d) [Other Proceeds of Collateral (if any) to be remitted by the Depository Agent to the Trustee for deposit into the Collection Account: \$]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Daily Remittance Certificate this day of , 20 .

[Name of Entity]

By _____
Name:
Title:

EXHIBIT B

FORM OF SEMIANNUAL RECONCILIATION CERTIFICATE

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Pursuant to the Financing Property Servicing Agreement, dated as of [_____, __2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer, and PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the six months ended _____, 20__, as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement.

- (a) Actual Revitalization Charge Collections deposited by the Depository Agent into Allocation Account during the preceding six months: \$
- (b) Estimated Revitalization Charge Collections remitted by the Depository Agent to the Trustee for deposit into the Collection Account during the preceding six months: \$
- (c) Difference between (a) – (b): \$
- (d) Total Excess Remittance: \$
- (e) Total Remittance Shortfall: \$

The calculations made herein were confirmed by the Calculation Agent prior to delivery of this Semiannual Reconciliation Certificate.

[Add instructions to Trustee and Depository regarding how Excess Remittance or Remittance or shortfall will be remedied.]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Semiannual Reconciliation Certificate this ___ day of _____, 20__.

[Name of Entity]

By _____
Name:
Title:

Confirmed by

[Name of Calculation Agent]

By _____
Name:
Title:

EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Servicer: Puerto Rico Aqueduct and Sewer Authority

Pursuant to the Financing Property Servicing Agreement, dated as of [_____, 2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer, and PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify to the Issuer and the Trustee as follows, in each case with respect to the preceding calendar month ([MONTH], 20__):

Capitalized terms used herein shall have the respective meanings given to them in Appendix F of the Servicing Agreement, or if not defined in the Servicing Agreement, in the Trust Agreement. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Trust Agreement, as the context indicates.

Current Collection Period: [_____] through [_____]

Next Bond Payment Date: [_____]

Date of Certification: [_____]

Cut-Off Date (not more than ten days prior to the Date of Certification): [_____]

- (a) Deposits of Customer Revenues in Allocation Account
 - through Month: \$_____
 - through Collection Period: \$_____
- (b) Estimated Revitalization Charge Collections transferred into the Collection Account:
 - through Month: \$_____
 - through Collection Period: \$_____
- (c) PRASA Charge remitted to PRASA:
 - through Month: \$_____
 - through Collection Period: \$_____
- (d) Any Excess Remittances or Remittance Shortfalls during Collection Period:

-Total Remittance Shortfall instructed to be transferred to Collection Account during Collection Period: \$

-Total Excess Remittance instructed to be deducted from future Daily Remittances during Collection Period: \$

-Total Excess Remittance to be paid or transferred from the Collection Account or Excess Funds Subaccount during Collection Period: \$

(e) [To the undersigned's knowledge, the Servicer has fulfilled its obligations in all material respects under Section 3.03 of the Servicing Agreement throughout the current Collection Period, except _____.]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate this ____ day of _____, 20__.

[Name of Entity]

By _____

Name:

Title:

EXHIBIT D

FORM OF SEMIANNUAL SERVICER CERTIFICATE

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Pursuant to the Financing Property Servicing Agreement, dated as of [_____, 2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer, AND PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the _____, 20__ Payment Date (the “Current Payment Date”), as follows:

Capitalized terms used herein shall have the respective meanings given to them in Appendix A of the Servicing Agreement, or if not defined in the Servicing Agreement, in the Trust Agreement. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Trust Agreement, as the context indicates.

Current Payment Date: [_____]

Date of Certificate: [_____]

Cut-Off Date (not more than ten days prior to the date hereof): [_____]:

- (a) Available Amounts on Deposit in Collection Account (including Excess Funds Subaccount) as of Cut-Off Date: \$
- (b) Actual or Estimated Remittances from the [Cut-Off Date?] through the Servicer Business Day preceding Current Payment Date: \$
- (c) Total Amounts Available to Trustee for Payment of Bonds and Other Ongoing Financing Costs: \$
- (d) Allocation of Available Amounts as of Current Payment Date allocable to payment of principal and interest on Bonds on Current Payment Date:

Principal

Aggregate

Total

Interest

Aggregate

Total

- (e) Outstanding Amount of Bonds prior to, and after giving effect to the payment on the Current Payment Date and the difference, if any, between the Outstanding Amount

specified in the Expected Amortization Schedule (after giving effect to payments to be made on such Payment Date set forth above) and the Principal Balance to be Outstanding (following payment on Current Payment Date):

Principal Balance Outstanding (as of the date of this certification):

Total

Principal Balance to be Outstanding (following payment on Current Payment Date):

Total

- (f) Difference between (e) above and Outstanding Amount specified in the Expected Amortization Schedule:

Total

- (g) All other transfers to be made on the Current Payment Date, including amounts to be paid to the Trustee and to the Servicer pursuant to [Section 8.02(e)] of the Trust Agreement:

Ongoing Financing Costs:

- Trustee Fees and Expenses:
- Servicer Fees and Expenses:
- Calculation Agent Fees and Expenses:
- Depository Fees and Expenses:
- Administration Fees and Expenses:
- Rating Agency Fees:
- Accounting Fees:
- Legal Fees
- Surety Bond Issuers Fees and Expenses
- Directors Liability Insurance
- Miscellaneous/Other
- Funding of Reserve Subaccount (to required amount):

Total:

- (h) Estimated amounts on deposit in the Reserve Subaccount and Excess Funds Subaccount after giving effect to the foregoing payments:

Reserve Subaccount

Total:

Excess Funds Subaccount

Total:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semiannual Servicer Certificate this ___ day of _____, 20__.

[Name of Entity]

By _____
Name:

EXHIBIT E

CERTIFICATE OF COMPLIANCE

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Pursuant to the Financing Property Servicing Agreement, dated as of [_____, 2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer, and PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the _____, 20__ Payment Date (the “Current Payment Date”), as follows:

The undersigned is the duly elected and acting [_____] of [_____] and:

1. A review of the activities of the Servicer and any of its subcontractors and of its performance under the Servicing Agreement during the twelve months ended [_____] , [20__] has been made under the supervision of the undersigned pursuant to Section 3.06 of the Servicing Agreement; and

2. To the undersigned’s knowledge, based on such review, the Servicer has fulfilled its obligations in all material respects under the Servicing Agreement throughout the twelve months ended [_____] , [20__] , except _____.

Executed as of this _____ day of _____, 20__.

Name:

Title:

EXHIBIT F

TRUE-UP LETTER

Pursuant to Article _____ of Act _____, enacted _____, ____, as amended (“Article ___”), the Financing Resolution adopted by PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION (the “Issuer”) on XX, 20XX (the “Financing Resolution”), and the Financing Property Servicing Agreement, dated as of [_____, 2016] (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY (“PRASA”), as Servicer, and the Issuer, the undersigned, as Servicer, does hereby provide notice of an adjustment to the Revitalization Charge to take effect on the True-Up Adjustment Date specified below (which is more than 30-days from the date of this True-Up Letter). Capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings given to them in Appendix A of the Servicing Agreement.

True-Up Adjustment Date:

Pursuant to the Article _____ and the Financing Resolution, the review by the Issuer of the Revitalization Charge is limited to verifying the mathematical accuracy of the calculation of the Revitalization Charges resulting from the application of the Adjustment Mechanism. If the Issuer determines that the calculation of the adjustment to the Revitalization Charges is mathematically inaccurate, the Issuer will notify PRASA in writing not later than five Business Days after the date of this letter of any adjustment necessary to correct such mathematical inaccuracy, and such correction ordered by the Issuer shall be made by PRASA not later than the next succeeding application of the Adjustment Mechanism.

The table below shows the current assumptions for variables used in the adjustment to the Revitalization Charge. All capitalized terms used below and not otherwise defined in the Servicing Agreement shall have the meaning set forth in the Adjustment Mechanism.

Input Values For Revitalization Charge
First Collection period: from _____, _____ to _____, _____
Second Collection period from _____, _____ to _____, _____

<p>(a) Eligible Residential Usage [(b) plus (c)]:</p> <p>(b) Usage for Base Residential Customers:</p> <p>(c) Residential Metered Customer Usage:</p> <p>(d) Eligible Non-Residential and Governmental Usage [(e) plus (f)]:</p> <p>(e) Actual Usage for Base Non-Residential and Governmental Customers (includes Governmental Usage):</p> <p>(f) Non-Residential and Governmental Net Metered Customer Usage:</p>	
<p>Net Revenue Requirement for First/Second etc. Collection Period</p> <p>(See Schedule 2)</p>	
<p>Residential Charge-Off Factor:</p> <p>Non-Residential Charge-Off Factor:</p> <p>Governmental Charge-Off Factor:</p> <p>(See Schedule 3)</p>	
<p>Gross Billing Requirement for First/Second etc. Collection Period:</p> <p>(See Schedule 4)</p>	
<p>Revitalization Charge (per charge on all Eligible Usage (See Schedule 5)</p>	

The work papers showing the calculation of the Revitalization Charge are attached as Exhibit A.

Executed as of this _____ day of _____, 20__.

By: _____
Name:
Title:

EXHIBIT G

FORM OF ANNUAL REPORT

Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation Revitalization Bonds

Pursuant to the Financing Property Servicing Agreement, dated as of _____, 2016], (the “Servicing Agreement”), between PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, as Servicer (the “Servicer”), and PUERTO RICO AQUEDUCT AND SEWER AUTHORITY REVITALIZATION CORPORATION, as Issuer of the Bonds (the “Issuer”), and Financing Resolution No. ____ adopted by the Issuer on _____, 2016 (the “Financing Resolution”), the undersigned on behalf of the Issuer and the Servicer do hereby certify, as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement and the Financing Resolution, as the case may be.

They are the duly elected and acting [_____] of the Issuer and [_____] of the Servicer, respectively, and further, with respect to the prior calendar year:

1. The outstanding principal amount of the Bonds is as follows:

Exchange Offer Bonds: \$

Mirror Bonds: \$

Cash Offer Bonds: \$

New Money Bonds: \$

Lender Bonds: \$

Post Closing Date Bonds: \$

All Bonds: \$

2. The amount paid on the Bonds in such calendar year is as follows:

Exchange Offer Bonds: \$

Mirror Bonds: \$

Cash Offer Bonds: \$

New Money Bonds: \$

Lender Bonds: \$

Post Closing Date Bonds: \$

All Bonds: \$

3. The remaining Ongoing Financing Costs payable in such calendar year is as follows [see attached schedule]:

Executed as of this _____ day of _____, ____.

PUERTO RICO AQUEDUCT AND SEWER
AUTHORITY REVITALIZATION CORPORATION,
as Issuer

By: _____
Name:
Title:

PUERTO RICO AQUEDUCT AND SEWER
AUTHORITY, as Servicer

By: _____
Name:
Title:

SCHEDULE 1
EXPECTED AMORTIZATION SCHEDULE
OUTSTANDING PRINCIPAL BALANCE PER TRANCHE

APPENDIX A

DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

“Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date compounded on each Distribution Date, commencing on the first Distribution Date after its issuance (through the date such Capital Appreciation Bond is paid in full or in the case of a Convertible Bond, through the applicable Conversion Date) at the Accretion Interest Rate for such Bond; provided, however, that the Trustee shall calculate or cause to be calculated the Accreted Value on any date other than a Distribution Date set forth in the applicable Supplemental Trust Agreement by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Distribution Date. In performing such calculation, the Trustee shall be entitled to engage and rely upon a firm of nationally recognized accountants, consultants or financial advisors with appropriate knowledge and experience.

“Accretion Interest Rate” has the meaning, with respect to any Capital Appreciation Bond, set forth in the applicable Supplemental Trust Agreement.

“Act” means Act No. 68 of the Legislature of Puerto Rico, approved July 12, 2016, as amended to the date of the Trust Agreement, and known as the “Act for the Revitalization of the Puerto Rico Aqueduct and Sewer Authority Act”.

“Act of the Bondholders” has the meaning specified in Section 7.01(a) of the Trust Agreement.

“Actual Revitalization Charge Collections” means the Revitalization Charge Collections that have been collected from Customers and deposited into the Allocation Account (whether directly by Customers or by the Servicer) during the applicable period.

“Additional Bonds” means any Bonds issued after the Initial Issuance Date pursuant to Section 3.09(b).

“Adjustment Mechanism” means the formulaic adjustment mechanism applied to Revitalization Charges contained in and approved by Financing Resolution No. 1 to be applied by the Servicer, on behalf of the Issuer, periodically, but not less often than semiannually, to ensure the collection of Revitalization Charge Revenues sufficient to provide for the timely payment of Ongoing Financing Costs. The establishment and adjustment of the Revitalization Charges made by the Servicer, on behalf of the Issuer, in relation to the Adjustment Mechanism shall not be subject to legislative or any other governmental review or approval, except as provided in Article 6 of the Act regarding the review by the Issuer to correct mathematical errors made by the Servicer. The Adjustment Mechanism is attached as Annex 1 to the Servicing Agreement.

“Administration Agreement” means the Administration Agreement dated as of _____ 2016, between _____, as Administrator, and the Issuer, relating to the provisions of the administrative services by PRASA to the Issuer, as the same may be amended and supplemented from time to time.

“Administration Fee” means annual fees and expenses of the Administrator not to exceed \$ _____ per year unless approved by the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds.

“Administrator” means [____], or any successor Administrator under the Administration Agreement.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Aggregate Scheduled Debt Service” means, for any period and as of any date of calculation, an amount equal to the principal of and interest on any Outstanding Bonds scheduled to be payable during such period, in accordance with the Expected Amortization Schedule.

“Allocation Account” means the deposit account or accounts designated by the Issuer from time to time and controlled by a Depository, into which all Customer Revenues are required to be deposited pursuant to Section 3.03 of the Servicing Agreement. Initially, the Allocation Account shall refer to the clearing account that has been established by the Issuer with [DEPOSITORY].

“Ancillary Agreement” means any bond insurance agreement or policy, letter of credit, reserve account, surety bond, swap arrangement, hedging arrangement, liquidity or credit support arrangement or other arrangement designed to promote the credit quality and marketability of Bonds or to mitigate the risk of a change in interest rates. As of the Initial Issuance Date, the Ancillary Agreements consist of the Surety Bond Agreements and the Surety Bonds.

“Ancillary Agreement Event” means, with respect to any Ancillary Agreement that was entered into in order to satisfy all or part of any Required Debt Service Reserve Level with respect to any Debt Service Reserve Subaccount, that either (i) the Issuer has failed to reimburse or otherwise pay within any applicable grace period for the occurrence of an Ancillary Agreement Event resulting from this clause (i) that is set forth in such Ancillary Agreement a party to such Ancillary Agreement when due, or (ii) the Issuer has failed to fund with cash the applicable Debt Service Reserve Subaccount in accordance with the schedule for the replacement of such Ancillary Agreement that is set forth in such Ancillary Agreement.

“Ancillary Agreement Providers” means the counterparties to any Ancillary Agreement. As of the Initial Issuance Date, the Ancillary Agreement Providers consist of: [].

“Annual Accountant’s Report” has the meaning set forth in Section 3.07 of the Servicing Agreement.

“Annual Calculation Period” means the 12-month period beginning on (but not including) a True-Up Adjustment Date and ending on (and including) a date which is 12 months later.

“Approved Financing Costs” has the meaning set forth in Finding of Fact [__] of the Financing Resolution.

“Authorized Officer” means, with respect to the Issuer, any officer of the Issuer who is authorized to act for the Issuer in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Issuer to the Trustee on the Initial Issuance Date (as such list may be modified or supplemented by the Issuer from time to time thereafter).

“Award Resolution” means a resolution adopted by the Board of the Issuer approving the final pricing and terms of an issue of Bonds.

“Basic Documents” means the Trust Agreement, any Supplemental Trust Agreement, the Servicing Agreement, the Depository Agreement, the Calculation Agent Agreement, _____.

“Best Efforts” means reasonable best efforts consistent with customary water and sewer utility practices in the United States.

“Billing Month” means each 30 day period during which the Revitalization Charges are billed to Customers.

“Billing Period” means the period during which the water and sewer services reflected on a Customer’s Bill were received by such Customer.

“Bills” means each of the regular monthly bills, summary bills and other bills issued by the Servicer to Customers for Rates and, after the initial Issuance Date, the Revitalization Charges.

“Board” means the board of directors of the Issuer established pursuant to the Act.

“Bond Agreement” means a bond purchase agreement or underwriting agreement, or any tender or exchange agreement pursuant to which a Series of Bonds are delivered, as identified in a Supplemental Trust Agreement pursuant to which such Bonds are executed and delivered.

“Bond Counsel” means a firm of attorneys with nationally recognized expertise regarding the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

“Bond Balance” means, as of any date, the aggregate Outstanding Amount of all Bonds on such date.

“Bond Interest Rate” means, with respect to any Series and Tranche of Bonds, the Bond Interest Rate therefor as specified in the applicable Supplemental Trust Agreement.

“Bond Register” and “Bond Registrar” have the respective meanings specified in Section 2.05.

“Bondholder” or “Holder” means any Person in whose name a Bond is registered on the registration books maintained by the Issuer or the Trustee under the Trust Agreement, provided that for the purpose of exercising rights and taking actions under the Trust Agreement or any request, demand, authorization, direction, notice, consent or waiver or other action by Bondholders under the Trust Agreement or under any Financing Document, “Bondholder” or “Holder” means the beneficial owner of such Bond.

“Bonds” or “Revitalization Bonds” means any bonds issued pursuant to the Financing Resolution and the Trust Agreement.

“Book-Entry Bonds” means, with respect to any Bond, a beneficial interest in such Bond, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.16.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York or in San Juan, Puerto Rico, are authorized or obligated by law, regulation or executive order to remain closed.

“Calculation Agent” means a third-party calculation agent (not affiliated with the Commonwealth or its instrumentalities, public corporations or municipalities) appointed and retained to confirm the Servicer’s calculation of the Revitalization Charges and the application of the Adjustment Mechanism from time to time. The initial Calculation Agent shall be _____. “Calculation Agent” shall include any successor or replacement appointed pursuant to Section 3.07(b).

“Calculation Agent Agreement” means the Calculation Agent Agreement dated as of _____, 20__ among the Issuer, the Servicer and the Calculation Agent, and acknowledged by the Trustee.

“Calculation Agent Fee” means annual fees and expenses of the Calculation Agent not to exceed \$ _____ per year unless approved by the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds.

“Capital Appreciation Bond” means a Bond (including, as the context requires, a Convertible Bond prior to the applicable Conversion Date), the interest on which is payable at maturity (or, in the case of a Convertible Bonds, the interest on which accrues until the Conversion Date) and compounded semiannually on each Distribution Date to the Scheduled Maturity Date, Conversion Date or redemption date thereof, as the case may be.

“Certificate of Compliance” means the certificate referred to in Section 3.06 of the Servicing Agreement.

“Clear Market Period” means the period commencing on the Initial Issuance Date and ending three-years (thirty-six (36) months) thereafter.

“Clearing Agency” means an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act.

“Clearing Agency Participant” means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

“Closing Date” means [_____, 2016].

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

“Collateral” has the meaning specified in the Granting Clause of the Trust Agreement.

“Collection Account” has the meaning specified in Section 8.02(a) of the Trust Agreement and any subaccounts contained therein.

“Collection Period” means the period from and including the first day of a calendar month to but excluding the first day of the next calendar month.

“Commonwealth” means Commonwealth of Puerto Rico.

“Commonwealth Pledge” has the meaning specified in Section 2.13.

“Continuing Disclosure Agreement” means _____.

“Conversion Date” means the date set forth in the applicable Supplemental Trust Agreement on and after which a Convertible Bond is deemed to be a Current Interest Bond.

“Convertible Bond” means a Capital Appreciation Bond which by its terms will be a Current Interest Bond on and after the applicable Conversion Date.

“Corporate Designee” means the Chair or Vice Chair of the Board of the Issuer.

“Corporate Trust Office” means the Mainland office of the Trustee at which at any particular time the Trust Agreement shall be administered, which office at the date of the execution of the Trust Agreement is located at [ADDRESS, Attention: _____] or at such other address as the Trustee may designate from time to time by notice to the Bondholders and the Issuer, or the principal corporate trust office of any successor Trustee (the address of which the successor Trustee will notify the Bondholders and the Issuer).

“Corporation” means Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation, a special purpose public corporation and a governmental instrumentality of the Commonwealth of Puerto Rico, established pursuant to Article 4(a) of the Act.

“Court” has the meaning given to it in Article 7 of the Act.

“Current Interest Bond” means a Bond (including, as the context requires, a Convertible fBond on and after the applicable Conversion Date), the interest on which is payable on each Payment Date.

“Customer” means any Person that is connected to or takes or receives water or sewer service within the Commonwealth by means of the facilities constituting part of System Assets. PRASA shall not be a Customer.

“Customer Revenues” means all payments made by or on behalf of Customers, including, without limitation, all Rates and all Revitalization Charges.

“Daily Remittance” means each remittance of Estimated Revitalization Charge Collections or Actual Revitalization Charge Collections required to be remitted by the Depository to the Trustee pursuant to Section 3.03 of the Servicing Agreement.

“Daily Remittance Certificate” means the daily remittance certificate, substantially in the form attached as Exhibit A to the Servicing Agreement.

“Days Sales Outstanding” shall have the meaning set forth in Annex 3 of the Servicing Agreement.

“Debt Service Payment Default” means that an event of default has occurred with respect to the Bonds as a result of the failure of the Issuer to pay interest on or principal of the Bonds when due.

“Debt Service Reserve Subaccounts” has the meaning set forth in Section 8.02(a).

“Debt Service Subaccounts” has the meaning set forth in Section 8.02(a).

“Default” means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

“Default Rate” means, with respect to any Bond, an interest rate per annum equal to the interest rate on such Bond plus ____%. Any reference to interest shall include, as applicable, interest at the Default Rate.

“Defeasance” means with respect to any Bonds, the defeasance of such Bonds in accordance with Article IV.

“Defeasance Securities” mean direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America.

“Definitive Bonds” has the meaning set forth in Section 2.16(a).

“Deposit Commencement Date” has the meaning set forth in Section 3.03 of the Servicing Agreement.

“Deposit Date” has the meaning set forth in Section 3.03 of the Servicing Agreement.

“Depository” means a third-party collection agent and financial institution reasonably accepted to the Servicer and the Issuer that (i) is organized under and subject to the regulations and laws of the United States or any State and licensed to operate in the Commonwealth, (ii) is neither affiliated with PRASA, the Commonwealth or its instrumentalities, public corporations, or municipalities, and (iii) has a capital and surplus of not less than \$1 billion. PRASA, GDB and FAFAA are expressly prohibited from acting as Depository. Initially, the Depository shall be _____. “Depository” shall include any successor or replacement appointed pursuant to Section 3.06(b).

“Depository Agreement” means the Depository Agreement by and among the Depository, PRASA, the Issuer and the Trustee.

“Depository Fee” means annual fees and expenses of the Depository not to exceed \$ _____ per year unless approved by the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds.

“Designee Certificate” means a certificate of a Corporate Designee approving the final pricing and terms of an issue of Bonds.

“Distribution Date” means each _____ and _____, commencing with _____, 20 _____.

“DTC” means The Depository Trust Company, as securities depository for the Bonds, or its successor or any successor securities depository.

“Eligible Bonds” means Outstanding Bonds other than Bonds beneficially held by the Issuer, PRASA, the Commonwealth, or its instrumentalities, public corporations, or municipalities, or any subsidiary or affiliate of any of them, including, but not limited to GDB and FAFAA.

“Eligible Account” means a segregated trust account with an Eligible Institution.

“Eligible Institution” means (a) the corporate trust department of the Trustee so long as any securities of the Trustee have either a short-term credit rating from Moody’s of at least “P-1” or a long-term unsecured debt rating from Moody’s of at least “A2” and have a credit rating from each other rating agency in one of its generic categories which signifies Investment Grade, or (b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), (i) which has either (A) a long-term issuer rating of “AA-” or higher by Standard & Poor’s and “A2” or higher by Moody’s, and, if rated by Fitch, the equivalent of the lower of those two ratings by Fitch, or (B) a short-term issuer rating of “A-1+” or higher by Standard & Poor’s and “P-1” or higher by Moody’s, and, if Fitch provides a rating thereon, “F1+” by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to Standard & Poor’s and Moody’s and (ii) whose deposits are insured by the FDIC. If so qualified under clause (b) above, the Trustee may be considered an Eligible Institution for the purposes of the definition of Eligible Account. “Eligible Institution” shall not include the GDB, or any other affiliate of the Commonwealth, its instrumentalities, public corporations or municipalities or any affiliate thereof.

“Eligible Investments” means either cash or obligations of or backed by the full faith and credit of the United States Government. Without limiting the foregoing, no funds shall be invested by the Trustee or the Depository in any certificates of deposit or other obligations of the GDB or any other affiliate of the Commonwealth, its instrumentalities, public corporations or municipalities or any affiliate thereof or deposited in or with the GDB or any other affiliate of the Commonwealth, its instrumentalities, public corporations or municipalities or any affiliate thereof.

“EMMA” has the meaning specified in Section 8.12 of the Servicing Agreement.

“Estimated PRASA Collections” means estimated PRASA Charges required to be remitted on a daily basis to the PRASA Bond Trustee pursuant to Section 3.03(b) of the Servicing Agreement.

“Estimated Revitalization Charge Collections” means the estimated Revitalization Charge Collections calculated as provided in Annex 3 of the Servicing Agreement and required to be remitted on a daily basis to the Trustee pursuant to Section 3.03(b) of the Servicing Agreement.

“Event of Default” has the meaning specified in Section 5.01.

“Excess Funds Subaccount” has the meaning specified in Section 8.02(a). With respect to the Servicing Agreement, it means any residual or excess, funds subaccount of the Collection Account other than the Reserve Account.

“Excess Remittance” means the amount, if any, calculated for a particular Reconciliation Period, by which Estimated Revitalization Charge Collections remitted to the Collection Account during such Reconciliation Period exceed Actual Revitalization Charge Collections received during such Reconciliation Period.

“Excess Surety Amount” means, as of any day, the aggregate principal amount of Refinanced Insured Bonds outstanding on such day.

“Excess Surety Event” means that, as of any day, there is an Excess Surety Amount greater than zero on such day.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Offer Bonds” means Bonds issued on Initial Issuance Date in exchange for PRASA Bonds.

“Expected Amortization Schedule” means a schedule specifying for each Tranche the initial principal amount, Bond Interest Rate, Scheduled Maturity Date and Final Maturity Date, including the Expected Sinking Fund Schedule for Term Bonds and the matters specified in the definition thereof, in each case as provided in the applicable Supplemental Trust Agreement.

“Expected Final Payment Date” means the Payment Date on which all of the Bonds are scheduled to be paid in full.

“Expected Sinking Fund Schedule” means a schedule specifying for any Term Bonds the Scheduled Sinking Fund Redemption Dates, Scheduled Outstanding Amounts, Scheduled Sinking Fund Payments and Minimum Remaining Outstanding Amounts, in each case as provided in the applicable Supplemental Trust Agreement.

“FAFAA” means the Fiscal Agency and Financial Advisory Authority, or any successor or successors thereto.

“FDIC” means the Federal Deposit Insurance Corporation or any successor.

“Final Maturity Date” means, with respect to any Tranche of Bonds, the date by which all principal and interest on that Tranche is required to be paid, as specified in the applicable Supplemental Trust Agreement.

“Financing Costs” has the meaning specified in the Financing Resolution and consists of Upfront Financing Costs and Ongoing Financing Costs; provided, however, with respect to the Servicing Agreement, that Financing Costs shall not include any amount, if any, that may be required to be paid by the Servicer (i) in settlement of, or as the result of a judgment against the Servicer arising from, any action with respect to the matters set forth in Section 5.02(b)(i), (ii), (iii) or (iv) of the Servicing Agreement, or (ii) in the case of any judgment against the Servicer arising from any such action, any attorneys’ fees or other expenses of the Servicer in connection therewith.

“Financing Documents” means, collectively, the Trust Agreement, each Supplemental Trust Agreement, the Servicing Agreement, the Depository Agreement, the Calculation Agent Agreement, Ancillary Agreements, Bond Purchase Agreement, Tender Agent Agreement, Dealer/Manager Agreement, Continuing Disclosure Agreement, and any other document or agreement included in the definition of Financing Documents in the Financing Resolution, as each may be amended, modified, supplemented, and restated from time to time, and each individually, a “Financing Document.”

“Financing Entity” has the meaning specified in Article 3(17) of the Act.

“Financing Property” means the Financing Resolution and the property rights and interests created thereby, including the right, title, and interest in and to: (a) the right to create and receive Revitalization Charges in amounts sufficient to pay the Bonds and all related Ongoing Financing Costs in full and on a timely basis; (b) the Revitalization Charges, as adjusted from time to time in accordance with the Adjustment Mechanism, including any rights under the Servicing Agreement, the Calculation Agent Agreement, the Depository Agreement or other agreement assigned pursuant to the Trust Agreement; (c) all revenues, collections, claims, payments, moneys, or proceeds of or arising from the Revitalization Charges or constituting Revitalization Charges, regardless of whether such revenues, collections, claims, payments, moneys, or proceeds are imposed, billed, received, accrued, collected or maintained by PRASA, any other Servicer or by the Issuer, together with or commingled with other revenues, collections, claims, payments, money or proceeds; (d) all rights to obtain adjustments to the Revitalization Charges pursuant to the terms of the Adjustment Mechanism, and the Financing Resolution; and (e) all reserves, Surety Bonds, or other collateral accounts established in

connection with the Bonds or the Financing Property or otherwise pledged to the payment of the Bonds under the Trust Agreement. Upon the issuance of Bonds, Financing Property shall constitute a vested, presently existing property right in the Issuer, as initial owner, subject to any pledge of Financing Property pursuant to the Act, notwithstanding the fact that the value of the property right will depend on further acts that have not yet occurred, including Customers remaining or becoming connected to the System Assets and taking or receiving water and sewer service, the imposition and billing of Revitalization Charges, or PRASA performing services. The concept of “Financing Property” shall not include real estate properties of PRASA nor any real rights created over such real estate properties.

“Financing Property Documentation” means all documents relating to Financing Property, including copies of the Financing Resolution and all documents filed with the Issuer in connection with any True-Up Letter.

“Financing Resolution” means an Issuer resolution adopted by the Board in accordance with the Act, which resolution creates financing property, approves the imposition and collection of revitalization charges and the financing of approved financing costs through the issuance of bonds and which resolution contains the related adjustment mechanism, all as provided in Articles 6 and 7 of the Act.

“Financing Resolution No. 1” means Financing Resolution No. 1 adopted by the Board on _____, 20__ in accordance with the Act, which resolution created the Financing Property, approved the imposition and collection of Revitalization Charges and the financing of Approved Financing Costs through the issuance of the Bonds and which resolution contained the Adjustment Mechanism, all as provided in Articles 6 and 7 of the Act.

“Fitch” means Fitch Ratings, or any successor to its ratings business. References in the Trust Agreement to Fitch, as applied to the Bonds, shall be effective only if Fitch becomes a Rating Agency.

“GDB” means the Government Development Bank for Puerto Rico, or any successor or successors thereto.

“General Subaccount” has the meaning set forth in Section 8.02(a).

“Governmental Authority” means any nation or government, any federal, state, local or other political subdivision thereof and any court, administrative agency, or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative function of government.

“Grant” means mortgage, pledge, collaterally assign and grant a Lien upon and a security interest pursuant to the Trust Agreement. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting

party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Independent” means, when used with respect to any specified Person, that the Person (a) is in fact independent of the Issuer, any other obligor upon the Bonds, the Servicer and any Affiliate of any of the foregoing Persons in accordance with the New York Stock Exchange Corporate Governance Rules, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, the Servicer, any such other obligor, or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

“Independent Certificate” means a certificate or opinion to be delivered to the Trustee, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Trustee, and such opinion or certificate shall state that the signer has read the definition of “Independent” in the Trust Agreement and that the signer is Independent within the meaning thereof.

“Independent [Registered] [Certified] Public Accountants” means [TO COME]/

“Initial Issuance Date” means the date on which the first Series of Bonds were issued and delivered under the Trust Agreement.

“Initial Servicing Agreement” means the Financing Property Servicing Agreement dated as of _____, 2016, between the Issuer and PRASA, as Servicer, as the same may be amended and supplemented from time to time in accordance with Section 8.01 thereof.

“Insolvency Event” means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal, Commonwealth or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal, Commonwealth or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due.

“Interested Person” means (a) the trustee representing the holders of PRASA’s outstanding bonds, (b) the securities depository, if any, at which any of such bonds shall be deposited, (c) any holders of PRASA’s outstanding debt obligations or any Person that provides credit or liquidity support, including financial guaranty insurance, to any or all of such

obligations, (d) any financial institution to which PRASA is indebted (other than through the securities depository) or is otherwise obligated, (e) the Secretary of Justice of the Commonwealth of Puerto Rico, (f) any Customer, (g) any vendor of PRASA that is not a Customer of PRASA as defined in the Act, (h) any Person who has filed with the secretary of the Board of the Issuer or PRASA a request to receive the notice set forth in Article 7(c)(2) of the Act, (i) any Person who would otherwise be entitled to receive notice with respect to the adjustment of PRASA Rates and (j) any other Person interested in the matters raised in the proceedings provided for in Article 7(c) of the Act.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Grade” means a rating of at least “BBB–” (minus) by Standard & Poor’s, “Baa3” by Moody’s, or “BBB–” (minus) by Fitch.

“Issuance Date” the date of the issuance and delivery of any Series of Bonds, as set forth in the applicable Supplemental Trust Agreement.

“Issuer” means Puerto Rico Aqueduct and Sewer Authority Revitalization Corporation, a special purpose public corporation and a governmental instrumentality of the Commonwealth, created pursuant to Article 4 of the Act.

“Issuer Order” and “Issuer Request” means a written order or request signed in the name of the Issuer by any one of its Authorized Officers, or by the Administrator on its behalf, and delivered to the Trustee.

“Legal Defeasance” has the meaning specified in Section 4.01(b).

“Lien” means a security interest, lien, mortgage, charge, pledge, claim, or encumbrance of any kind.

“Losses” means collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

“Mainland” means headquartered and maintaining its financial operations and accounts relating to the Bonds within any of the 48 contiguous States.

“Minimum Denomination”, with respect to any Series of Bonds, means \$5,000 or integral multiples thereof, or such higher amount set forth in any Supplemental Trust Agreement.

“Monthly Servicer Certificate” has the meaning assigned to that term in Annex 2 of the Servicing Agreement.

“Moody’s” means Moody’s Investors Service Inc. or any successor to its ratings business.

“Officer’s Certificate” means, when used in the Trust Agreement a certificate signed by any Authorized Officer of the Issuer and when used in the Servicing Agreement a certificate of the Servicer signed by a Responsible Officer.

“Ongoing Financing Costs” means:

- (A) principal, interest and redemption premiums payable on the Bonds;
- (B) any payment required under any bond insurance policy, surety bond, reimbursement agreement or any agreement entered into, in connection therewith or other Ancillary Agreement, or any amount required to fund or replenish (or to reimburse a third party for replenishing) any debt service reserve fund or account or any other fund or account established under the Trust Agreement and, to the extent permitted by the Trust Agreement, any Financing Document or under any other financing document related to the Bonds, or any additional reserve fund (including the Overcollateralization Subaccount);
- (C) any taxes and charges, including payments or contributions in lieu of taxes, franchise fees or license fees imposed on Revitalization Charge Revenues;
- (D) any cost related to administering the Issuer, the Bonds or the Financing Property, including the costs of calculating the Revitalization Charges and implementing the Adjustment Mechanism, the fees and expenses of the Initial Servicer and any Successor Servicer, the fees and expenses of the Calculation Agent and any third party appointed under the Calculation Agent Agreement, the fees and expenses of the Depository or other collection agents employed to assure the collection, segregation and remittance of Revitalization Charge Revenues to the Trustee, the fees and expenses of the Trustee and any other fiduciaries, including any Registrar or Paying Agent, appointed to secure or facilitate payment of the Bonds, and all legal, accounting and other advisors’ or consultants’ fees and expenses incurred in connection with the foregoing;
- (E) all rating agency fees and expenses incurred to obtain and/or maintain ratings on the Bonds;
- (F) any cost related to protecting the status of Financing Property and collecting Revitalization Charges, including any cost related to any judicial or similar proceedings that the Issuer or the Trustee or any owner of all or a portion of Financing Property deems necessary to enforce or collect Revitalization Charge Revenues or protect the Financing Property or any other costs referred to in Article 10(a) of the Act, in each case subject to the provisions of the Act;
- (G) any ongoing filing or listing fees for the Bonds;
- (H) the fees and expenses of the Independent Auditor;
- (I) without duplication, any indemnity payments required to be paid by the Issuer to the Trustee, any Servicer, the Calculation Agent, or the Depository, the underwriters, the broker-dealers, the parties to any Ancillary Agreements or other persons pursuant to agreements entered into in connection with the Bonds;
- (J) any indemnity or other payments or costs required to be paid to the Board or its individual directors, or officials, agents and employees of the Corporation as provided in Article 7(p) of the Act;

(K) any rebate expenses payable to the Federal Government to maintain the tax free status of the Bonds; and

(L) any other cost related to issuing Bonds, administering and servicing Financing Property and Bonds payable under the Financing Documents, including (without limitation) the payment of any Upfront Financing Costs not paid from the proceeds of the Bonds, in accordance with any Supplemental Trust Agreement.

Provided, however, with respect to a Servicing Agreement, that Ongoing Financing Costs shall not include any amount, if any, that may be required to be paid by the Servicer in settlement of, or as the result of a judgment against the Servicer arising from, any action with respect to the matters set forth in Section 5.02(b)(i), (ii), (iii) or (iv) of the Servicing Agreement, or, in the case of any judgment against the Servicer arising from any such action, any attorneys' fees or other expenses of the Servicer in connection therewith.

“Operating Expenses” means all Ongoing Financing Costs other than (i) principal (including amortization, sinking fund or redemption payments), redemption premium, if any, and interest on the Bonds, (ii) amounts required to fund or replenish the Debt Service Reserve Subaccounts and any Overcollateralization Subaccount, or (iii) any Reimbursement Obligations with respect to any Surety Bonds or pursuant to any other Ancillary Agreement.

“Opinion of Counsel” means, when used in the Trust Agreement, one or more written opinions of counsel who may, except as otherwise expressly provided in the Trust Agreement, be an employee of or counsel to the Issuer and who shall be reasonably satisfactory to the Trustee, and which opinion or opinions shall be addressed to the Trustee, and shall be in form and substance reasonably satisfactory to the Trustee; and, when used in the Servicing Agreement, one or more written opinions of Bond Counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

“Optional True-up” has the meaning assigned to that term in Annex 1 of the Servicing Agreement.

“Other Financing Property” means financing property created under a financing resolution other than Financing Resolution No. 1.

“Other Revitalization Bonds” means any bonds, notes, or other evidences of indebtedness (other than the Bonds) that are issued by the Issuer pursuant to the Act, a trust agreement (other than the Trust Agreement) and a Financing Resolution (other than Financing Resolution No. 1), to the extent permitted by Section 3.09(c) of the Trust Agreement.

“Outstanding” means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Trust Agreement except:

Bonds theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds; and

Bonds in exchange for or in lieu of other Bonds which have been authenticated and delivered pursuant to the Trust Agreement unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser;

provided, however, that in determining whether the Holders of the requisite Outstanding Amount of the Bonds or any Series or Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement or under any Financing Document, Bonds owned by the Issuer, PRASA, the Servicer (if different from PRASA), the Commonwealth, or any Affiliate of any of the foregoing Persons, including but not limited to, GDB and FAFAA, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Trustee actually knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, any other obligor upon the Bonds, or any Affiliate of any of the foregoing Persons.

“Outstanding Amount” means the aggregate principal amount of all Bonds, or if the context requires, all Bonds of a Series or of a Tranche, Outstanding at the date of determination.

“Overcollateralization Subaccount” has the meaning set forth in Section 8.02(a).

“Parity Obligations” means the Bonds and any Parity Reimbursement Obligation.

“Parity Reimbursement Obligation” means a Reimbursement Obligation with respect to [(a) the Surety Bonds or] (b) pursuant to any other Ancillary Agreement in accordance with Section 3.09(d), in either case the payment of which is secured by a pledge of, and a Lien on, the Collateral in accordance with the terms of, and subject to the priority of payments set forth in, the Trust Agreement.

“Parity Payment Obligations” means the payment when due of principal of and interest and premium, if any, on the Bonds, any reimbursement amount payable under a Parity Reimbursement Obligation or any amount payable under any other Parity Obligation.

“Paying Agent” means the Trustee or any other Person that meets the eligibility standards for the Trustee specified in Section 6.11 and is authorized by the Issuer to make payment of principal or Accreted Value of or interest or premium, if any, on the Bonds on behalf of the Issuer.

“Payment Date” has the meaning specified in the applicable Supplemental Trust Agreement.

“Person” means any natural or juridical person, including any local agency, or any individual, firm, partnership, joint venture, trust, joint stock company, association or public or

private corporation, municipality, organized or existing under the laws of the Commonwealth, the United States of America or any state, any agency or instrumentality of the United States, or any combination of the above.

“PRASA” means Puerto Rico Aqueduct and Sewer Authority, a public corporation and governmental instrumentality established and existing by virtue of Act No. 40 of the Legislative Assembly of Puerto Rico, approved May 1, 1945, as amended, and any successor or successors thereto, including successors referred to in Article 7(k) of the Act.

“PRASA Bonds” means revenue bonds issued by PRASA pursuant to PRASA Trust Agreement.

“PRASA Bond Trustee” means Banco Popular de Puerto Rico, as trustee with respect to the PRASA Bonds (together with any successors and assigns), under the PRASA Trust Agreement.

“PRASA Trust Agreement” means the Master Agreement of Trust, dated as of March 1, 2008, as amended and restated as of February 15, 2012, as further amended and supplemented, by and between PRASA and Banco Popular de Puerto Rico.

“Predecessor Bond” means, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for the purpose of the definition, any Bond authenticated and delivered under Section 2.06 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

“Principal” or “principal” means the Outstanding Amount of Bonds and, as appropriate, the Accreted Value of all Capital Appreciation Bonds.

“Principal Balance” means, as of any Payment Date, the sum of the respective outstanding principal amounts of the Bonds.

“Priority Payment Cap Amount” means all amounts payable pursuant to Section 8.02(e)(i) through (vi) in any calendar year not to exceed \$ _____.

“Proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Projected Principal Balance” means, as of any Payment Date for any Tranche of the Bonds, the sum of the respective projected outstanding principal amounts of the Bonds for such Payment Date set forth in the Expected Amortization Schedule.

“Rates” means the rates and charges for water and sewer services in the Service Area. “Rates” do not include Revitalization Charges.

“Rating Agency” means, with respect to any Bond, any nationally recognized statistical rating organization that assigns (or has assigned) its rating or ratings to such Bond at the request of the Issuer at the time of issuance thereof (or subsequently assigns a rating or ratings to such

Bond at the request of the Issuer). If any such organization or its successor is no longer in existence, “Rating Agency” shall mean a nationally recognized statistical rating organization designated by the Issuer with the written consent of the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds and each Surety Provider, notice of which designation and consent shall be given to the Trustee and the Servicer.

“Rating Agency Condition” means, with respect to any action, (i) not less than ten Business Days’ prior written notification by the Issuer regarding such action to each Rating Agency, (ii) written confirmation from each such Rating Agency to the Servicer, the Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then-current rating assigned by such Rating Agency to any Bond and (iii) that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Issuer that such action has resulted or would result in the suspension, reduction or withdrawal of the then-current rating assigned to any Bonds; provided, however, that if prior to the relevant action, any of the Bonds are not rated by a Rating Agency, or if any of the Bonds have a rating from a Rating Agency below the rating initially assigned by such Rating Agency, then the Rating Agency Condition shall only be deemed satisfied with respect to such Rating Agency with the written consent of the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds. If, within such ten Business Day period, any Rating Agency (other than Standard & Poor’s) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (y) the Issuer shall be required to obtain confirmation in writing that such Rating Agency has received the Rating Agency Condition notification described in (i) above and, if such Rating Agency has received such notification, the Issuer shall promptly request the related Rating Agency Condition written confirmation described in (ii) above, and (z) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such Issuer request in clause (y) above, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency, but only if waived in writing by the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds and each Surety Provider. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency’s right to review or consent). If any ratings on the Bonds are below Investment Grade (or if the Bonds are not rated by any Rating Agency), the Rating Agency Condition requirement shall also include the written consent of the Trustee, each Surety Provider and the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds to the relevant action in the manner provided in the Trust Agreement.

“Reconciliation Period” means the twelve-month period ending the last day of the Collection Period preceding the calculation of Remittance Shortfalls or Excess Remittances under Section 3.03(f) the Servicing Agreement. The initial Reconciliation Period shall commence on the Closing Date and may be less than twelve months.

“Record Date” means, with respect to a Payment Date or a Distribution Date, the close of business on the Business Day next preceding such Payment Date or Distribution Date; provided

however, that if Definitive Bonds are issued, the Record Date shall mean the last Business Day of the calendar month immediately preceding such Payment Date or Distribution Date, as applicable.

“Redemption Price” means, with respect to any Bonds to be redeemed, the principal amount of such Bonds or percentage thereof specified for such redemption in the applicable Supplemental Trust Agreement.

[“Refinanced Insured Bonds” means the callable and non-callable PRASA Bonds insured by [] not to exceed \$_____ that may be refinanced as described in Section 3.09(c)(i) of the Trust Agreement.]

“Refinancing Period” the six (6) months following the expiration of the Clear Market Period.

“Registered Holder” means the Person in whose name a Bond is registered on the Bond Register on the applicable Record Date.

“Reimbursement Obligation” means the obligation of the Issuer to reimburse an Ancillary Agreement Provider for amounts advanced under an Ancillary Agreement held for the credit of a Reserve Subaccount.

“Remittance” means each transfer under the Trust Agreement of Estimated Revitalization Charge Collections or Remittance Shortfalls from the Allocation Account to the Collection Account.

“Remittance Shortfall” means the amount, if any, calculated for a particular Reconciliation Period, by which Actual Revitalization Charge Collections during such Reconciliation Period exceed all Estimated Revitalization Charge Collections remitted to the Collection Account during such Reconciliation Period.

“Replacement Servicer” means [_____]

“Required Debt Service Reserve Level” means, as of any date of calculation, an amount equal to []% of the aggregate principal amount of the Reserve Bonds then Outstanding.

“Requisite Bondholders” means the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds.

“Reserve Subaccount” has the meaning set forth in Section 8.02(a) of the Trust Agreement.

“Responsible Officer” means, with respect to the Trustee, any officer assigned to the Corporate Trust Office, including any Vice President, Assistant Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, in each case having direct responsibility for the administration of the Trust Agreement and with respect to the Servicer, the chief executive officer, the president, any vice president, the

treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the director of finance or any equivalent position of the Servicer.

“Retirement of the Bonds” means the final payment by the Trustee in respect of the last Outstanding Bond.

“Revitalization Charge Collections” means the payments of the Revitalization Charges made by or on behalf of Customers.

“Revitalization Charge Revenues” means all money received or to be received, directly or indirectly, on account of the Revitalization Charges, and all proceeds of the investment thereof.

“Revitalization Charges” means those rates and charges that are separate from rates and charges of PRASA and that are imposed pursuant to the Financing Resolution on Customers to recover the Financing Costs, and shall include a *pro rata* share of any late payment fee imposed in respect of any past-due bill for water or sewer service.

“Rule 15c2-12” or the “Rule” means Rule 15c2-12 of the SEC under the Securities Exchange Act of 1934, as amended.

“Scheduled Maturity Date” means, with respect to any Tranche of Bonds, the respective Scheduled Maturity Date therefor, which shall include scheduled mandatory sinking fund and all other scheduled mandatory redemption dates, in each case as provided in the applicable Supplemental Trust Agreement.

“Scheduled Sinking Fund Payment” means, with respect to any Term Bonds, the Scheduled Sinking Fund Payment therefor as specified in the Expected Sinking Fund Schedule set forth in the applicable Supplemental Trust Agreement.

“Scheduled Sinking Fund Redemption Date” means, with respect to any Term Bonds, the Scheduled Sinking Fund Redemption Date therefor as specified in the Expected Sinking Fund Schedule set forth in the applicable Supplemental Trust Agreement.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Intermediary” means [_____], a national banking association existing under the laws of the United States of America, solely in its capacity as a “securities intermediary” as defined in Section 8-102(a)(14) of the UCC, or any successor securities intermediary.

“Semiannual Interest” has the meaning specified in the applicable Supplemental Trust Agreement.

“Semiannual Principal” means, with respect to any Payment Date and any Series and Tranche of Bonds, (i) for any Serial Bonds, the amount required to be paid to the Holders

pursuant to the applicable Supplemental Trust Agreement, and (ii) for any Term Bonds, the amount required to be redeemed and paid to the Holders pursuant to the applicable Supplemental Trust Agreement.

“Semiannual Reconciliation Certificate” has the meaning specified in Section 3.03 of the Servicing Agreement.

“Semiannual Servicer Certificate” has the meaning assigned to that term in Annex 2 to the Servicing Agreement.

“Serial Bonds” means Bonds which are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Trust Agreement.

“Service Area” means the geographical area within which PRASA provided water or sewer services as of _____, 20__.

“Servicer” means PRASA, as Servicer under the Servicing Agreement, any Successor Servicer or any Replacement Servicer under any replacement Servicing Agreement which may contract with others for the performance of some duties under the Servicing Agreement as provided therein.

“Servicer Default” means an event specified in Section 6.01 of the Servicing Agreement.

“Servicing Agreement” means the Initial Servicing Agreement or any replacement servicing agreement with a successor servicer, as the same may be amended from time to time by the parties thereto in accordance therewith and in a manner not prohibited by the Act.

“Servicing Fee” has the meaning set forth in Section 5.07 of the Servicing Agreement.

“17g-5 Website” has the meaning specified in Section 11.15.

“Sinking Fund Payment” means a payment upon redemption of Term Bonds on a Payment Date as specified in the Expected Sinking Fund Schedule applicable thereto, or with respect to any Tranche a payment without redemption prior to maturity that reduces the Outstanding Amount thereof to zero.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to its ratings business.

“State” means any one of the states of the United States of America or the District of Columbia. The term “State” shall not include the Commonwealth.

“Statutory Lien” means the Lien on the Financing Property created by Article 5(b)(12) and Article 7(j)(2) of the Act and the Financing Resolution.

“Subaccounts” means, collectively, the General Subaccount, the Overcollateralization Subaccount, the Excess Funds Subaccount, the Debt Service Reserve Subaccounts and the Upfront Financing Costs Subaccount of the Collection Account and the sub-subaccounts of each as they may exist from time to time.

“Successor Servicer” has the meaning specified in Section 3.05(d).

“Supplemental Trust Agreement” means any supplement to the Trust Agreement.

[“Surety Bond Agreements” means the Ancillary Agreements between the Surety Providers and the Issuer pursuant to which the Surety Bonds are issued.]

[“Surety Bonds” means []]

[“Surety Providers” means any Ancillary Agreement counterparty providing one or more Surety Bonds that in the aggregate have a face amount exceeding \$_____ to support a Reserve Subaccount, in each case so long as such Surety Bond(s) remain in effect and so long as a monetary default by such counterpart), under the related Surety Bond shall not have occurred and be continuing.]

“System Assets” means the Commonwealth Water System and/or the Commonwealth Wastewater System, as defined in Act No. 40 of May 1, 1945, as amended, in existence as of the date of approval of the Act and as subsequently acquired and used by the Authority or any successor entity to provide water and/or sewer services to its customers.

“Tax-exempt Bonds” means Bonds the interest on which is excludable from gross income for federal income taxation purposes under applicable provisions of the Code.

“Term Bonds” means Bonds the retirement of which shall be provided for from scheduled periodic redemptions prior to maturity.

“Termination Notice” has the meaning assigned to that term in Section 6.01 of the Servicing Agreement.

“Tranche” or “Tranche of Bonds” or “Bonds of a Tranche” or of a particular Series means all Bonds designated as being of the same Series and tranche issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Trust Agreement.

“True-Up Adjustment” means each adjustment to the Revitalization Charges made in accordance with Annex 1 of the Servicing Agreement.

“True-Up Adjustment Date” means the date specified in a True-Up Letter on which the adjusted Revitalization Charge described in such True-Up Letter shall take effect.

“True-Up Letter” means the filing to be made with the Issuer by the Servicer to set or adjust the Revitalization Charges, including the Designee Certificate. The form of the True-Up Letter is attached as Exhibit F to the Servicing Agreement.

“Trust Agreement” means the Trust Agreement, between the Issuer and the Trustee, as originally executed and, as from time to time supplemented or amended by one or more trust agreements supplemental thereto entered into pursuant to the applicable provisions thereof, as so supplemented or amended, or both, and shall include the forms and terms of the Bonds established thereunder.

“Trustee” means [TRUSTEE], as Trustee under the Trust Agreement, or any successor Trustee under the Trust Agreement, provided that any Trustee shall be a Mainland financial institution that at the time of appointment is acceptable to the Holders of the Eligible Bonds representing not less than a majority of the Outstanding Amount of the Eligible Bonds.

“Trust Indenture Act” means the Trust Indenture Act of 1939 as in force on the date of the Trust Agreement, unless otherwise specifically provided.

“UCC” means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the State of New York, as amended from time to time.

“Underwriters” means the underwriters who purchase the Bonds from the Issuer and sell the Bonds pursuant to the Bond Purchase Agreement.

“Upfront Financing Costs Subaccount” has the meaning set forth in Section 8.02(a).

“Upfront Financing Costs” has the meaning specified in the Act and the Financing Resolution.

“U.S. Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged.

“Written Notice”, “written notice” or “notice in writing” means notice in writing which may be delivered by hand or first-class mail or other recognized method of delivery and also means electronic transmission.