



PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL,
MEDICAL, AND ENVIRONMENTAL CONTROL FACILITIES
FINANCING AUTHORITY
GOVERNMENT OF PUERTO RICO

AFICA Financing Application Procedures





INTRODUCTION

The AFICA Financing Application Procedures (hereinafter the “Procedures”) have been prepared as a general guideline to prepare an AFICA Financing Application (hereinafter the “Application”) to be submitted to AFICA for its consideration and evaluation.

The Procedures must be used together with the AFICA’s **GUIDELINES FOR THE CONSIDERATION AND EVALUATION OF FINANCING APPLICATIONS FOR ELIGIBLE PROJECTS (hereinafter the “Guidelines”)**.

All readers are advised that AFICA reserves its rights to amend and modify the Procedures and that AFICA may require additional information and data or to request amendments to an Application that has been submitted to AFICA.

GLOSSARY OF TERMS

AFICA

The Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (“AFICA”).

AFICA Financing(s)

AFICA Financings are generally structured as follows:

- AFICA issues bonds (“AFICA Bonds”), either through an underwritten public bond issuance or a private placement;
- AFICA lends the proceeds of the AFICA Bonds to the conduit borrower (the “Obligor”) under a loan agreement between AFICA and the Obligor (the “Loan”); and
- The Obligor uses the proceeds of the Loan to finance an Eligible Project, as defined in the Guidelines and Act 121.

The AFICA Bonds are payable solely from payments made by the Obligor to AFICA under the Loan or from a separate letter of credit, guarantee, or other type of credit enhancement.

- AFICA can also finance an Eligible Project using the funding source of a loan or loans or credit facility (facilities) provided to AFICA by a financial institution(s) or institutional investor(s). The proceeds are then loaned as an AFICA loan under



an AFICA loan agreement to an Eligible Project, as defined in Act 121 and in the Guidelines.

AFICA Financings are non-recourse to AFICA and are not guaranteed by the Government of Puerto Rico or any of its instrumentalities.

OBLIGOR*

The entity that is liable under a financing agreement with AFICA. Normally a corporation doing business in the Commonwealth of Puerto Rico and seeking financing through AFICA for the development of an eligible project, as defined in the Guidelines and in the AFICA enabling Act No. 121 of June 27, 1977, as amended ("Act 121").

GUARANTOR*

Any person directly or indirectly liable under the provisions of a financing agreement for the unpaid portion of the debtor's AFICA obligations. The Guarantor is normally the parent company or an affiliate of the debtor.

() Obligor and Guarantor are considered applicants during the process of an application of an AFICA Financing until the execution of the AFICA loan agreement.*

INDUSTRIAL PROJECT

Any structure, equipment, improvement, facility or system, and any land, building, structure, facility or any improvement thereon, or any combination thereof; whether under construction or to be constructed; and any real or personal property deemed necessary, or related, to or intended for: (a) manufacturing, processing, assembling, or warehousing of goods or materials, for sale or distribution but not including raw materials, goods in process, or stock-in-trade; (b) mercantile or commercial enterprise; (c) conducting industrial research or development activities; (d) tourist or recreational purposes; (e) agriculture purposes; and (f) any combination of the aforementioned. This definition complements the definitions contained in the Guidelines and the Act 121.

MEDICAL PROJECT

Any one or more buildings, structures, additions, extensions, improvements or other facilities, whether or not located on the same site or one contiguous to it (including existing facilities), machinery, equipment, furnishing or other real or personal property suitable for use in connection with the supplying of health or medical care, including, but without limitation, to, general hospitals, sanatoriums and other specialized hospitals; facilities for emergency care, intensive care, and self-care clinics; out-patient



facilities; rehabilitation centers; alcohol and drug detoxification facilities; clinical, pathological, and other laboratories; dialysis centers; hospital research facilities; extended care facilities; nursing home facilities; convalescent centers, and related medical facilities including facilities and equipment that support or expand the services of same, such as diagnosis equipment, laundries, computers and the like. This definition complements the definitions contained in the Guidelines and the Act 121.

EDUCATIONAL PROJECT

Any one or more buildings, structures, additions, extensions, improvements or other facilities, whether or not they are located in the same place or next to it, machinery, equipment, furniture or other movable or real property which is adequate to be used to provide educational services duly accredited by the Council on Higher Education, in the case of higher education institutions, and the Department of Education, in the case of primary education institutions. This definition complements the definitions contained in the Guidelines and the Act 121.

ENVIRONMENTAL CONTROL PROJECT

Any structure, equipment, improvement, facility or system, and any land or any building, structure, facility or improvement thereon, or any combination thereof, whether under construction or to be constructed, or personal or real property deemed necessary or related to the control, abatement, or prevention of air, water, and land pollution. This includes solid waste disposal facilities. This definition complements the definitions contained in the Guidelines and the Act 121.

APPLICATION PROCEDURES

PRE-APPLICATION MEETING

Prior to submitting an Application, the Obligor and AFICA officers must arrange a pre-application meeting ("Meeting"). The parties present at the Meeting will include representatives from AFICA or AAFAF, the Obligor, the Guarantor and in some instances: (a) financial consultant and legal advisor of the Obligor or (b) the financial institution of the Obligor.

The purpose of the Meeting is for the Obligor to present the proposed project and its preliminary AFICA Financing to AFICA, to ensure that the Procedures to solicit an AFICA Financing are clearly understood by the Obligor and that the Application, when submitted, will be prepared based on the Procedures and the Guidelines.

Another purpose of the Meeting is to reach an understanding among all parties that the project is of the type that may be considered by the Executive Director of



AFICA ("Executive Director") for submission to the Board of Directors of AFICA. As a result of the Meeting, AFICA may issue a letter enumerating any points of concern which arise from information made available at the Meeting. The issuance of a letter by AFICA is not a financing approval by AFICA and will not preclude AFICA from requiring additional information / data about the project after the Application is received.

Expenses directly related to the project expended by the Obligor prior to the Meeting cannot be included in the AFICA Financing. However, project costs incurred after the Meeting may be included as part of the Application. Therefore, it is in the Obligor's interest to schedule a Meeting early in the planning stages of the project.

The Meeting shall be in effect for a term of six months. If the AFICA Financing is not completed within these six months and the Obligor continues interested to finance its project through AFICA, a new Meeting would have to be arranged.

APPROVAL IN PRINCIPLE BY OTHER GOVERNMENT AGENCIES

INDUSTRIAL PROJECTS

An Application for a commercial or industrial project will not be considered as received until the applicable governmental agency or department has approved, in principle, the proposed project and provides written notice to AFICA. Tourism projects, which are included in the Act 121 as industrial projects, should be endorsed by the Puerto Rico Tourism Company (or applicable governmental entity).

MEDICAL PROJECTS

In the case of a hospital, clinic, or similar facility, an Application will not be considered as received until the Department of Health has issued a Certificate of Need and Convenience for the new facilities. All applications for a Medical project must be accompanied by an approval, in principle, from the pertinent government agency having jurisdiction, whether the Department of Health, the Department of Social Services, and/or the Department of Addiction Services.

EDUCATIONAL PROJECTS

To consider an Application for an Educational Project, the educational institution must be duly accredited by the Council on Higher Education and in the case of projects for primary education, by the Department of Education of the Commonwealth of Puerto Rico.

ENVIRONMENTAL CONTROL PROJECTS

An Application for an Environmental Control Project will not be considered as



received until the Department of Natural and Environmental Resources has approved, in principle, the proposed project, and a letter of justification setting forth such approval has been filed with AFICA.

ADDITIONAL PROCEDURES; REQUIRED DATA; INFORMATION

When preparing an Application, the Obligor must follow the terms and conditions of the Guidelines. In addition to the data / information requested under the Guidelines, the Application should contain details relating to the project, the Obligor, and any Guarantor, as follows:

1. Narrative description of the project to be financed.

Description of the facility or the facilities, site and the equipment. Include any available drawings, site plot plans, and time schedules for construction and occupancy.

Description of the product or products to be manufactured, of the manufacturing processes, and / or other operations to be conducted at the project facility.

Narrative setting forth the reasons/needs for the project, with an analysis of the competition.

If applicable, description of the raw materials and intermediary goods to be used and/or manufactured, including their source of origin; how such goods or materials will be improved, assembled, or altered; what form the manufactured product(s) take(s) as finished product; and distribution of the finished product (method and expected principal destinations).

2. Employment profile and estimated number of jobs to be created during construction and operation of the project.

Brief narrative of the average and peak number of construction jobs to be created by the project. Provide a narrative of the economic impact of the project and if the project is a manufacturing or related enterprise, project's average manufacturing wage and employment for the first five years of operation.

3. Environmental consideration and as to how water, sewer, and electric services are to be provided to the project.

General description of the environmental aspects of the project, the permits required, the status of such permit applications and if applicable, status of preparation of an Environmental Impact Statement. Include mention of pretreatment of water to be provided at the project before discharge to the system of the Puerto Rico Aqueduct and Sewer Authority or elsewhere.



4. Certification of Medical Facility.

Include as exhibit(s) a Certificate of Need from the Secretary of Health (and/or the Secretary of Social Services, and/or the Secretary of Addiction Services) to the effect that the proposed medical facilities respond to a need in the area in which the project is to be located and that the project will alleviate or satisfy such need.

Where applicable, include a synopsis of standards set by the Department of Health, and/or the Department of Social Services, and/or the Department of Addiction Services and a description of how such standards will be met.

5. An abandonment statement relating to other Puerto Rico facilities owned by the Obligor or the Guarantor.

An abandonment statement certified by an officer of the Obligor and/or Guarantor to the effect that the development of the project will not cause or result in the abandonment of another facility in the Commonwealth of Puerto Rico, which is owned or operated by, or is an affiliate of, the Obligor and/or Guarantor.

If the closing of any such facility is planned or anticipated but that abandonment has no cause and effect relationship with the proposed financing, the statement will report the planned closing and explain why that facility is being closed. If, in fact, a Puerto Rico facility is to be closed or abandoned as a result or cause of the proposed financing, the statement will provide the details thereof and demonstrate that the facility is being abandoned because of obsolescence, lack of available labor, site limitations, or other compelling reason.

6. Information as to the financial responsibility of Obligor and Guarantor, including tax- exempt status, the project's budget and its overall financing sources, and the Obligor and Guarantor's capacity to repay the AFICA Financing.

The Obligor must substantiate its ability and capability to operate the project successfully. Information is to be given on the Obligor's experience, technology, management (including appropriate resumes), and any other aspect of the Obligor's capabilities.

In addition, this section must include detailed financial information on the project, the Obligor, and the Guarantor, including the following:

- Financial details on the project, with a breakdown of costs, and amounts and timing of investments.
- Relationship of project to Obligor's and/or Guarantor's regular operations, services, etc., and rationale for the project in this context. If the project is a new venture, feasibility and market studies, analyses, and projections of the business are to be



included. Other Puerto Rico facilities and interests must be identified, if any. Discussion of those facilities should set forth their relationship to the project.

- Financial statements of the Obligor and Guarantor:
 - Audited annual reports over past three years.
 - 10-K reports over past three years, if applicable.
 - Last quarterly earnings report, and any other information substantiating financial resources and ability to meet future obligations, including those of the project.
- Financial projections that support the Obligor's ability to service debt principal and interest payments of the proposed AFICA Financing.

If the AFICA Financing is to be guaranteed by a U.S. federal program, include copy of the application and a description of the status. Also include details of how Obligor intends to comply with the appropriate U.S. federal requirements.

NOTE: Please refer to the Guidelines Section 8 for additional information / data required for an Application.

APPROVAL PROCESS

Once the Executive Director has determined that an Application has been correctly filed and all relevant documentation has been received, AFICA's management will submit a recommendation to the Board of Directors of AFICA for its consideration.

If the Board of Directors of AFICA approves the transaction, AFICA will proceed to submit the corresponding approval package to AAFAF and to the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") for their respective consideration and approval. If the AFICA Financing is approved by AAFAF and the Oversight Board, AFICA will proceed to notify the Obligor.

Reimbursement of Extraordinary Expenses

If or when AFICA finds it necessary to incur in extraordinary expenses in connection with the consideration or approval of an Application, AFICA must be reimbursed for those expenses by the Obligor or the Guarantor. No expenditure will be made or committed by AFICA.



Abandonment Test

AFICA will not consider the financing of a project which would cause or result in the abandonment of an existing facility of the Obligor or an affiliate of the Obligor elsewhere in Puerto Rico, unless the facility is abandoned because of obsolescence, lack of available labor, or site limitations.

Financing Policy

The Board of Directors may determine, from time to time, which activities that are authorized by the Act 121 and by the Guidelines are eligible for financing by AFICA as a matter of policy. The Board of Directors of AFICA may also limit the size of the AFICA Financing for a particular project.

GENERAL INSTRUCTIONS

The first page of an Application must have the following cover page and the Application must be submitted to:

AFICA@aafaf.pr.gov

Attention: Executive Director of AFICA

c/o Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF")

Roberto Sánchez Vilella Government Center

Stop #22 De Diego Street (Santurce)

San Juan, Puerto Rico 00940-2001

[The following to be completed by the Obligor / Guarantor using its corporate letterhead]



AFICA Financing Application

Pursuant to Act No. 121, Approved June 27, 1977, as amended

_____, a corporation duly organized under the laws of _____ and qualified to do business in the Commonwealth of Puerto Rico, hereby files with the Executive Director of the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority ("AFICA") this AFICA Financing Application including the exhibits attached hereto for the consideration and evaluation of its proposed project described herein (the "Project"), containing a proposed AFICA Financing. The undersigned hereby certify that they are duly empowered and authorized to execute this AFICA Financing Application and that all information contained herein and in the exhibits is true and correct.

Guarantor

Obligor

Name of Corporation

Name of Corporation

Name of Officer

Name of Officer

Title of Officer

Title of Officer

Signature of Officer

Signature of Officer

Date

Date