

November 19, 2017

Dear Mr. Gonzalez,

Thank you for the call yesterday. As we discussed and as we noted in our email to Mr. Nelson on Friday, PREPA has failed to timely pay Whitefish Energy in accordance with the contract for work performed dating back to mid-October. PREPA's improper delays, in turn, has delayed payments to subcontractors. PREPA is contractually required to pay Whitefish Energy's invoices within three (3) calendar days after approval, but no later than ten (10) calendar days after invoice submission.

Whitefish Requires Timely Payment to Pay Subcontractors

Under Whitefish Energy's subcontracts with most of its subcontractors, Whitefish Energy pays its subcontractors after Whitefish Energy receives payment from PREPA for the subcontractors' work (i.e., pay when paid). PREPA's failure to timely pay Whitefish Energy means that Whitefish Energy has not received the necessary funds to pay its subcontractors for work performed. To date, Whitefish Energy has timely paid its subcontractors for all invoices for which Whitefish Energy received payment from PREPA. In fact, Whitefish Energy has routinely paid its subcontractors more promptly than the payment terms set forth in the applicable subcontracts in an effort to facilitate their continued work given the urgency of the work to the citizens of Puerto Rico. In this same vein, Whitefish Energy has even prepaid some of its subcontractors' invoices before receiving payment from PREPA to ensure that work continues. However, this cannot continue, and Whitefish must receive the outstanding and overdue payments from PREPA to fund the work and the support costs for such subcontractors, such as lodging, meals, etc.

Whitefish Energy Relied on PREPA's Critical Representations in the Contract

PREPA represented to Whitefish Energy in the contract that it had authority to enter into the contract with Whitefish Energy, including but not limited to with respect to the Government Oversight Board and all other relevant entities. PREPA also represented to Whitefish Energy that the contract would be FEMA-funded, which was the basis for the First Amendment of the contract on October 17, 2017. Whitefish Energy relied on these critical representations from PREPA when it entered into the contract and agreed to amend the contract.

Specifically, as part of PREPA's request to amend the contract to make it FEMA-compliant, PREPA insisted that Whitefish Energy provide fixed rates for all types of work, including labor, equipment, lodging and per diems. As explained to PREPA at the time, this new structure meant that the subcontractor rates that were previously passed through to PREPA as invoiced, plus an amount to cover overhead and other costs, would instead need to be set at one fixed amount for all current and future subcontractors. PREPA did not want to take on the risk of increased costs, and instead put that risk on Whitefish Energy, which Whitefish Energy accepted, including the risk of price and commodity instabilities (e.g., fuel, water, food, housing, airfare, etc.) on a hurricane-torn island. PREPA's delayed payments have caused delays in payments to the subcontractors and 516 workers who have been working around the clock to restore 50% of the power generation transmission on the island.

Whitefish Energy has Continued to Perform, Despite PREPA's Delays and Failures

Whitefish Energy has diligently performed all work under its contract with PREPA, including honoring the 30-day termination provision and continuing to perform work directed by PREPA following Whitefish Energy's receipt of the termination notice from PREPA. Further, Whitefish Energy has worked with PREPA to facilitate the transition of its subcontractors to work for other entities after the completion of its work under the contract. Whitefish Energy has taken all of these actions without requiring security from PREPA, in reliance on PREPA's representations in the contract, and in good faith that PREPA would honor its commitments under the contract to pay Whitefish Energy, so that Whitefish Energy can in turn pay its subcontractors and its own hardworking union employees.

PREPA's failure and refusal to timely pay Whitefish Energy under the contract has created significant reluctance on the part of Whitefish Energy's subcontractors to continue performing work in support of Whitefish Energy's contract with PREPA. In fact, the APPA utilities that are subcontractors to Whitefish Energy are insisting on immediately demobilizing from Puerto Rico and are readying their equipment and workers for immediate departure. However, the contract requires PREPA to pay for such demobilization costs in advance, and Whitefish Energy must make deposits in order to arrange for the demobilization of subcontractors and their workers and equipment. PREPA's failure to timely pay for work performed and lines energized has caused Whitefish Energy's subcontractors to be concerned about their ability to demobilize and return their workers and equipment home safely. Whitefish Energy has begun making these arrangements and fronting these costs, but such an approach is not sustainable.

We very much appreciate that it is critical to the citizens of Puerto Rico that Whitefish Energy be able to complete its work on transmission line 50900 because that will complete a "loop," that, combined with Whitefish Energy's earlier repairs of lines 50100 and 50200, will allow PREPA to manage the flow of power from the South to the North, and create redundancy for the demand centers of the North, including the city of San Juan. This need for redundancy was highlighted by the recent temporary outages, which as you know, had nothing to do with Whitefish Energy's completed work on those energized lines. This critical work on line 50900 is the type of helicopter-only access work in which Whitefish Energy specializes.

It has been Whitefish Energy's commitment to its mission and the people of Puerto Rico that has compelled Whitefish Energy to continue to perform work on this critical line despite the mounting outstanding invoices and non-payment. However, it is no longer possible for Whitefish Energy or its subcontractors to continue to incur these substantial costs without payment for prior work performed, assurances of payment for future work performed, and payment of Whitefish Energy's and its subcontractors' demobilization costs, all as required under the contract.

Conclusion

There is no basis for PREPA to withhold payments from Whitefish Energy and PREPA's refusal to make timely payments is a breach of the contract. Whitefish Energy has diligently worked with PREPA to accommodate its numerous changes in its invoice submission requirements, as well as its changes in approval processes. Yet these internal changes and confusion within PREPA do not justify its failure to make timely payments under the contract. As shown in the attached invoice log, to-date, Whitefish Energy has submitted invoices to PREPA totaling \$64,809,561.81 for work performed and \$39,404,336.20 for anticipated demobilization costs, which PREPA is required to pay in advance under

the contract. Of this amount, \$83,036,305.09 remains unpaid, \$26,012,747.04 of which has been audited and approved by PREPA more than three (3) days ago.

If Whitefish Energy does not receive evidence that wires for all past due invoices have been initiated by 11:00 am local time on Monday, November 20, 2017 (including those that have already been audited and the amounts owed under the demobilization invoice), Whitefish Energy will have no choice but to immediately suspend all work under the contract as of 12:00 pm local time on Monday, November 20, 2017, due to PREPA's material breach of the contract and to mitigate Whitefish Energy's damages resulting from PREPA's breach. Of course, once PREPA pays Whitefish Energy, then Whitefish Energy will continue to promptly forward payment to its subcontractors for their work in accordance with the terms of Whitefish Energy's subcontracts with those subcontractors, and Whitefish Energy and its subcontractors will be able to resume work under the contract.

We look forward to receipt of payment from PREPA so that we can get back to continuing to complete the critical work that Whitefish Energy and its subcontractors have been diligently around the clock since October 2, 2017 to restore electrical power to the people of Puerto Rico as soon as possible.

Whitefish reserves the right to pursue any and all remedies available under the contract and applicable law.

Sincerely,



Andy Techmanski
Chief Executive Officer
Whitefish Energy Holdings, LLC