

FORBEARANCE AND AMENDMENT AGREEMENT

This Forbearance and Amendment Agreement (as amended or modified from time to time, the “*Agreement*”) is dated as of August 14, 2014 and is entered into by and among Puerto Rico Electric Power Authority (“*PREPA*”); SCOTIABANK DE PUERTO RICO (the “*Agent*”) and the LENDERS signatory hereto (each, a “*Lender*” and, together with the Agent, the “*Forbearing Creditors*”). All parties hereto will be referred to herein collectively as the “*Parties.*”

RECITALS

- A.** PREPA and the Forbearing Creditors have entered into that certain Credit Agreement dated as of May 4, 2012 (as amended, restated, extended, supplemented or otherwise modified and in effect from time to time, the “*Credit Agreement*”).
- B.** PREPA acknowledges and agrees that there is currently \$549,950,000 in the aggregate principal amount (plus applicable accrued fees and interest) outstanding under the Credit Agreement and that, as a result of the existence of the Defaults and Events of Default (as such terms are defined in the Credit Agreement) that have occurred or may occur, as listed on Annex A hereto (each such Default and Event of Default, individually, a “*Designated Event of Default*” and collectively, the “*Designated Events of Default*”) (a) the Agent is entitled to accelerate the Obligations (as such term is defined in the Credit Agreement), to seek immediate repayment in full of the Obligations and to exercise any or all of its rights and remedies under the Credit Agreement and applicable law; and (b) the Lenders have no obligation to make any further Advances (as such term is defined in the Credit Agreement) or other extensions of credit to the Company under the Credit Agreement or otherwise.
- C.** The Lenders are not willing to waive the Designated Events of Default;
- D.** The Parties have entered into a forbearance agreement on July 6, 2014, as subsequently amended on July 29, 2014 and on July 31, 2014 (the “*Initial Forbearance Agreement*”).
- E.** The Initial Forbearance Agreement terminated on 5:00 p.m. of the date hereof.
- F.** PREPA has requested that the Lenders enter into a new forbearance agreement to temporarily forbear, solely by reason of the Designated Events of Default, in accordance with the terms and subject to the conditions hereof, from commencing any legal proceedings against PREPA or exercising rights of setoff to collect payment of the Obligations in order to permit an opportunity for negotiation of a possible financial restructuring of PREPA;
- G.** In connection with, and in furtherance of, the performance by PREPA of its obligations under the Credit Agreement, the Lenders agree to accommodate such requests of PREPA, in each case on the terms and subject to the conditions herein set forth;
- H.** PREPA and Citibank, N.A. (“*Citibank*”) have entered into a forbearance agreement under the Trade Facility Agreement dated July 20, 2012, as amended and supplemented to date (the “*Citibank Facility*” and, together with the Credit Agreement, the “*Citibank/Scotiabank Lines of Credit*”), on substantially similar terms, as the terms of this Agreement (the “*Citibank*”).

Forbearance Agreement” and, together with this Agreement, the “***Citibank/Scotiabank Forbearance Agreements***”);

I. PREPA is the issuer of power revenue bonds (collectively, the “***Revenue Bonds***”) and power revenue refunding bonds (collectively, the “***Refunding Bonds***” and together with the Revenue Bonds, the “***Bonds***”) issued pursuant to that certain Trust Agreement, dated as of January 1, 1974, as amended and supplemented through August 1, 2011, between PREPA and U.S. Bank National Association, as successor trustee (the “***Trustee***” and, with respect to said trust agreement, as amended, the “***Trust Agreement***”). Terms used but not defined in this Agreement shall have the meanings given to such terms in the Trust Agreement.

J. PREPA and beneficial owners and insurers of at least 60% of the principal amount of Bonds (the “***Forbearing Bonds***”) have entered into a forbearance agreement on the date hereof (the “***Bonds Forbearance Agreement***”);

K. PREPA and the Government Development Bank for Puerto Rico (“***GDB***”) have entered into a forbearance agreement (the “***GDB Forbearance Agreement***”) on the date hereof with respect to certain agreements described in the GDB Forbearance Agreement (the “***GDB Loan Agreements***”).

NOW, THEREFORE, in consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Forbearing Creditors’ Agreement to Consent to Maturity Date Extension and to Forbear.

(a) The Parties hereby agree that the definition of “Maturity Date” under the Credit Agreement shall be amended in its entirety as follows:

““***Maturity Date***” means the Forbearance Termination Date (as such term is defined under that certain Forbearance Agreement between the Borrower and the Administrative Agent and the Lenders dated as of August 14, 2014.”

(b) During the period from the Effective Date (as such term is defined in Section 2 of this Agreement) until the Forbearance Termination Date (as such term is defined in Section 5 of this Agreement) (the “***Forbearance Period***”), subject to the terms and conditions set forth herein, each of the Forbearing Creditors agrees as follows:

- (i) With respect to the Credit Agreement, such Forbearing Creditor will forbear from exercising, or consenting to the exercise of, any right to direct the Agent to enforce or exercise any rights or remedies available to the Agent under the Credit Agreement or applicable law arising solely by reason of any Designated Default.
- (ii) Such Forbearing Creditor will forbear from enforcing or exercising any rights or remedies available to such Forbearing Creditor under the Loan

Documents (as such term is defined in the Credit Agreement) or applicable law in respect of the Designated Defaults.

(c) Notwithstanding anything to the contrary contained herein, solely to the extent that any entity challenges the treatment of the Obligations as “Current Expenses” under the Trust Agreement (the “**Priority Rights**”), nothing in this Agreement shall limit or restrict any of the Forbearing Creditors or the Agent from taking any action that any such Forbearing Creditor or the Agent may take under the Loan Documents, at law or in equity, that is necessary or appropriate to preserve, protect or defend (but not to enforce) any of the Priority Rights against such challenge, including, without limitation, (i) defending, intervening in or filing any legal proceedings relating to any such Priority Rights, (ii) sending notices to any persons, governmental authorities or entities concerning the existence of any such Priority Rights, or (iii) otherwise preserving any of the rights, remedies, positions or defenses of such Forbearing Creditor or the Agent, all of which are hereby expressly reserved.

(d) PREPA shall continue to make scheduled payments of interest under the Credit Agreement; *provided* that, notwithstanding anything to the contrary in the Credit Agreement, during the Forbearance Period, interest shall accrue and be paid on the Obligations at a rate of Alternate Base Rate (as such term is defined in the Credit Agreement) *plus* 4.00% per annum (the “**Forbearance Rate**”). Notwithstanding anything to the contrary in the Credit Agreement, starting from the Effective Date, accrued interest equal to the Forbearance Rate shall be paid in cash on the first business day of each month, *provided, however*, that if the total rate of interest (including default interest) payable by PREPA under the Citibank Forbearance Agreement shall exceed the Forbearance Rate, PREPA shall make payments of interest on the Credit Agreement at the rate payable under the Citibank Forbearance Agreement. The Agent on behalf of the Lenders acknowledges and agrees that no default interest under the Credit Agreement will accrue or be paid during the Forbearance Period; *provided further*, that PREPA’s obligations pursuant to this Section 1(d) shall be subject to the occurrence of the Trust Amendment Effective Date (as defined below).

(e) Except as expressly provided herein, none of the existence, execution, delivery or performance of any term or provision of this Agreement shall (i) constitute a modification or relinquishment of any term or aspect of, or any right or remedy under or with respect to, the Loan Documents or to direct the Agent with respect to any of the foregoing; (ii) constitute a consent to, waiver of, or admission of any default or event of default (or the absence of a default or event of default) in any of the Loan Documents; (iii) extend the due date of any obligations under the Loan Documents or otherwise affect the enforceability of any obligation; (iv) give rise to any obligation to extend, amend, waive or otherwise modify any term or condition of any of the applicable Loan Documents; (v) give rise to any defenses or counterclaims to PREPA or the Forbearing Creditors, or to any right of the Forbearing Creditors to direct the Agent under the Loan Documents, to compel payment of the obligations under any of the applicable Loan Documents or to otherwise enforce rights or remedies thereunder; (vi) prohibit any Forbearing Creditor from instituting, commencing, prosecuting, joining, interceding in, supporting or otherwise participating directly or indirectly in any way in any legal proceedings regarding the validity, enforceability or application of the Puerto Rico Public Corporation Debt Enforcement and Recovery Act, Act. No. 71-2014 (as amended, supplemented, modified, superseded, or replaced with other legislation in respect of a restructuring of PREPA,

the “**Recovery Act**”) or any provision thereof, or intervening or otherwise participating in any lawsuit filed by any party regarding the Recovery Act (any such legal proceedings, actions or lawsuits, “**Recovery Act Legal Actions**”); or (vii) prejudice the rights of any party to the Recovery Act Legal Actions. Except as expressly limited herein, each Forbearing Creditor and PREPA hereby expressly reserves all of its rights, remedies, positions and defenses under or with respect to the Loan Documents and under applicable law, and waives none. From and after the Forbearance Termination Date (as herein defined), each Forbearing Creditor and PREPA shall be entitled to enforce any of its rights, remedies, positions and defenses under or with respect to the Loan Documents in accordance with their respective terms. PREPA acknowledges that the Forbearing Creditors have made no representations as to what actions, if any, the Forbearing Creditors will take after the Forbearance Period, and with respect thereto the Forbearing Creditors specifically reserve any and all rights, remedies, and claims the Forbearing Creditors have (after giving effect hereto) with respect to the Designated Events of Default and each other Default that may occur.

2. Conditions to Effectiveness. This Agreement shall become effective as of the date (the “**Effective Date**”) that each of the following shall have occurred:

- (a) All Parties shall have duly executed a counterpart of this Agreement;
- (b) PREPA shall have executed the Citibank Forbearance Agreement and the Bonds Forbearance Agreement, in each case in form and substance acceptable to the Forbearing Creditors;

For the avoidance of doubt, nothing in this Agreement, in the Citibank Forbearance Agreement or in the Bonds Forbearance Agreement shall prejudice any of the Forbearing Creditors’, the Forbearing Bonds’, or Citibank’s right to contest or defend, formally or informally, the priority of repayments of the Citibank/Scotiabank Lines of Credit relative to the Bonds. Notwithstanding the foregoing or anything herein to the contrary, PREPA agrees not to take any position, whether formally or informally, regarding the priority of repayments of the Citibank/Scotiabank Lines of Credit relative to the Bonds on the basis of any of the following actions or agreements by the Forbearing Creditors and Citibank on the Effective Date and during the Forbearance Period: (i) forbearing, delaying or failing to exercise remedies, (ii) agreeing to a postponement or delay in payment of interest or principal, (iii) granting an extension of any maturity date, or (iv) not requiring the repayment or readvance of any advance or not requiring any advances to be revolving loans, and PREPA shall not use any such actions as a basis for contesting whether any expense, claim, liability or amount shall be construed as a Current Expense under the Trust Agreement by virtue of the foregoing or use any such actions in making any argument, filing any pleading or complaint, or supporting any other person in doing the same;

- (c) PREPA shall have executed the GDB Forbearance Agreement in form and substance acceptable to the Forbearing Creditors.

- (d) No proceeding pursuant to the Recovery Act or any other action or proceeding that seeks to adjust the claims of its creditors pursuant to any federal, state, or Puerto Rico statute, now or hereinafter enacted, has been instituted by or on behalf of PREPA;
- (e) PREPA shall have provided an initial 13-week cash flow statement (the “*Initial 13-Week Cash Flow Statement*”) to the Forbearing Creditors;
- (f) PREPA shall have paid to the Agent all accrued and unpaid interest as of the Effective Date (other than default interest);
- (g) PREPA shall have paid \$250,000 of fees and expenses (including attorney’s fees and financial advisor fees) incurred by the Agent, the Lenders and their counsel and previously submitted to PREPA for payment pursuant to the Credit Agreement and Section 12 of the Initial Forbearance Agreement after July 30, 2014; and
- (h) PREPA shall have received and provided written confirmation to all Forbearing Creditors of all approvals required to enter into and perform this Agreement, including, without limitation, submission to the Forbearing Creditors of resolution(s) duly adopted by the board of directors of PREPA authorizing PREPA to enter into and perform this Agreement.

3. Representations.

- (a) Mutual Representations. Each Party hereby represents and warrants to the other as follows (each of which is a continuing representation and warranty, and shall be true throughout the Forbearance Period):
 - (i) it has the legal right, power and authority to enter into this Agreement and consummate the transactions contemplated hereby;
 - (ii) this Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding at equity or law));
 - (iii) (A) with respect to PREPA, it is a public corporation of the Commonwealth of Puerto Rico, duly existing under the laws of the Commonwealth of Puerto Rico, and (B) with respect to each other Party, it is duly organized and validly existing and in good standing under the laws of the jurisdiction of its organization with full power and authority to execute and deliver, and to perform and observe the terms and provisions of, this Agreement; and

(iv) the execution, delivery, performance and observance of this Agreement by such Party (A) have been duly authorized by all necessary action on the part of such Party, do not and will not conflict with, or result in a violation of, any law applicable to it, and do not require it to obtain any permit, consent, approval, order or authorization of, or provide notice to or make a filing with, any court, governmental or regulator agency or authority or other person or entity that has not been obtained, provided or made, as applicable, (B) (1) with respect to PREPA, do not contravene, or constitute a default under, any provision of applicable law or regulation or of any agreement, judgment, injunction, order, decree or other instrument binding on PREPA and (2) with respect to each other Party, do not and will not violate, conflict with or result in the breach of any provision of its organizational or governance documents and (C) do not and will not result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage, indenture contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement (including without limitation the Loan Documents) to which it is a party, which would materially adversely affect its ability to carry out its obligations under and otherwise observe this Agreement or cause the occurrence of a Termination Event (as defined herein).

(b) Representations of PREPA. PREPA hereby represents and warrants as follows (each of which is a continuing representation and warranty, and shall be true throughout the Forbearance Period):

- (i) except to the extent that a Designated Event of Default has occurred, no default under any Loan Document has occurred and is continuing to the best of its knowledge;
- (ii) PREPA has made available to the Forbearing Creditors true and correct copies of any agreement relating to money borrowed by PREPA in the amount of \$25 million or more; and
- (iii) each of the representations in the Recitals set forth above as to PREPA is true and accurate as of the date hereof.

(c) **[Reserved]**

(d) **[Reserved]**

4. Covenants by PREPA. PREPA hereby covenants as follows:

- (a) It shall provide the following to the Agent for the benefit of the Lenders (or the Agent's financial and legal advisors if so directed by such Forbearing Creditor in writing):

- (i) Within two (2) business days after receipt, any default, event of default or termination notice received by PREPA under the Trust Agreement, the Citibank Facility, the GDB Loan Agreements or any other agreement under which PREPA could owe more than \$10 million if a counterparty exercises remedies thereunder;
- (ii) Within five (5) business days after the end of any month, a cash report showing account balances for the General Fund and the Construction Fund;
- (iii) Within five (5) business days after execution by PREPA, copies of any agreements with vendors for the delivery of fuel oil or for the purchase of power with projected annual spend of greater than \$50 million;
- (iv) Within two (2) business days after PREPA has agreed to accept such proposal, any proposal accepted by PREPA (whether formal or informal) that concerns any new financing, loan, or “debtor in possession” facility (including, but not limited to, the provision of any commitment fee, or the payment of any prepayment premium or any prepayment under a forward delivery contract or other agreement for services), or any proposed recovery program or debt enforcement plan;
- (v) Weekly updates to the Initial 13-Week Cash Flow Statement in the same form as the Initial 13-Week Cash Flow Statement (the “**Rolling 13-Week Cash Flow Statement**”), including a weekly variance report showing the variance to the Initial 13-Week Cash Flow Statement or the prior Rolling 13-Week Cash Flow Statement, as applicable;
- (vi) No later than seven (7) business days prior to the end of the period covered by the Initial 13-Week Cash Flow Statement and each subsequent 13-week period, PREPA will provide to the Forbearing Creditors a budget covering the next 13-week period including the same categories as the Initial 13-Week Cash Flow Statement (such budget, a “**Subsequent 13-Week Budget**”);
- (vii) Written notice of any default (A) by PREPA, or Termination Event, under this Agreement, (B) other than a Designated Event of Default, by PREPA under the Credit Agreement, (C) or termination under the Bonds Forbearance Agreement, the Citibank Forbearance Agreement or the GDB Forbearance Agreement, and in the case of clause (C), the waiver or cure of any such default, in each case within two (2) business days of the occurrence of such default, or after the same shall become known to PREPA; and
- (viii) On or before the fifth (5th) business day of each month, a report that displays, for the prior month and cumulatively during the Forbearance Period: (A) weekly disbursements from the Construction Fund,

identifying whether such disbursements were applied to pay for the cost of Improvements or Current Expenses, and (B) weekly receipts of moneys credited to the Construction Fund, identifying whether such receipts were the result of replenishment of the Construction Fund by PREPA in accordance with the Trust Amendment (as defined below).

- (b) Absent the consent of the Agent on behalf of the Lenders, PREPA shall not agree to any amendments, modifications, or supplements to the Citibank Facility, the Citibank Forbearance Agreement, the GDB Loan Agreements, the GDB Forbearance Agreement, the Trust Agreement or the Bonds Forbearance Agreement, or other material financial agreements to which PREPA and any of such institutions are parties (collectively, the “**Other Forbearing Creditor Agreements**”) that (i) prejudice or impair the Forbearing Creditors’ rights under this Agreement, the Credit Agreement or any other Loan Document or the Trust Agreement, (ii) enhance the existing rights of the Forbearing Bonds, Citibank, or GDB, or (iii) without limiting the preceding clauses (i) or (ii), modify any of the Other Forbearing Creditor Agreements in any way that is adverse to the Forbearing Creditors.

Prior to entering into any amendment, modification or supplement to the Other Forbearing Creditor Agreements, PREPA shall provide written notice of any such proposed amendment (each, a “**Proposed Amendment**”) to the Agent for the benefit of the Lenders. If PREPA does not receive any written objection to a Proposed Amendment from the Agent on behalf of the Lenders within five (5) business days after providing such notice, no consent of the Agent on behalf of the Lenders shall be required pursuant to the preceding paragraph prior to PREPA’s entry into the applicable Proposed Amendment.

- (c) It shall use reasonable commercial efforts to respond to any reasonable written request for information concerning further diligence requests made by the Agent on behalf of the Lenders;
- (d) It shall use reasonable commercial efforts and work constructively with the Forbearing Creditors to develop a five-year business plan and a recovery program in respect of PREPA’s operations. The business plan (the “**Business Plan**”) will be based in part on the integrated resource plan referenced in Section 4(e) of this Agreement, as well as the work of PREPA, including a chief restructuring officer or similar officer, once appointed, and PREPA’s advisors in respect of operational and financial improvements for PREPA. The Business Plan will include, but will not be limited to (i) a monthly set of financial projections (profit and loss statement, balance sheet, cash flow statement) for the fiscal year beginning July 1, 2015, a quarterly set of financial projections for the fiscal year beginning July 1, 2016, and annual projections for the three (3) fiscal years beginning July 1, 2017, (ii) projections for maintenance, development and environmental capital expenditures during the period covered by the Business Plan, and (iii) a

proposed set of cost saving and revenue enhancement initiatives to be evaluated for implementation prior to and during the period covered by the Business Plan. For purposes of clarity, the Business Plan shall not include a proposed capital structure for PREPA or proposed adjustments to the existing debt of PREPA;

- (e) It shall provide to the Agent (for the benefit of the Lenders) and its advisors reasonable access to its management and advisors (including any chief restructuring officer or similar officer and the consulting engineering firm responsible for developing in consultation with PREPA management an integrated resource plan for PREPA) from time to time, including, without limitation, if requested, weekly meetings with the financial advisors to the Forbearing Creditors to discuss, among other things, any of the reports provided pursuant to Section 4(a) of this Agreement, and shall use reasonable commercial efforts to provide reasonable access to the management of the GDB associated with the potential restructuring or reorganization of PREPA through regular meetings among such management and advisors and the Agent (for the benefit of the Lenders) and/or its advisors;
- (f) [**Reserved**];
- (g) [**Reserved.**]
- (h) It shall use commercially reasonable efforts to pursue any overdue accounts in respect of its accounts receivable from all of its customers (including, without limitation, all governmental entities and municipalities) and take all reasonable actions to seek to collect such Revenues;
- (i) It shall consult, in good faith, with the Agent (acting on behalf of the Lenders) regarding the retention of a chief restructuring officer or similar officer whose scope of authority would include the matters set forth on Annex B, and shall consider, in good faith, any recommendations made by the Agent on behalf of the Lenders with respect to such retention;
- (j) It shall keep the Agent for the benefit of the Lenders reasonably informed regarding PREPA's process with respect to (i) any new financing, loan, or "debtor in possession" facility (including, but not limited to, the provision of any commitment fee, or the payment of any prepayment premium or any prepayment under a forward delivery contract or other agreement for services), or (ii) any recovery program or debt enforcement plan;
- (k) It shall attempt, in good faith, to minimize potential setoff risks in conducting its cash management practices;
- (l) It shall execute the amendment of the Trust Agreement contemplated in the Bonds Forbearance Agreement (the "***Trust Amendment***") and take all reasonably necessary actions to effectuate the Trust Amendment subject to

the terms and conditions set forth in the Bonds Forbearance Agreement. For purposes of this Agreement, “**Trust Amendment Effective Date**” shall mean the date on which the Trust Amendment becomes effective pursuant to its terms;

- (m) To the extent such practice is not already in effect, for the period from and after September 1, 2014 (and, for the avoidance of doubt, not on a retroactive basis), PREPA shall record (i) revenue from municipalities and associated receivable balances on a gross basis, without reflecting any offset or accounting adjustment for Contributions in Lieu of Taxes (“**CILT**”); and (ii) CILT liabilities on a gross basis;
- (n) By no later than ten (10) business days after the date hereof, PREPA shall (i) have obtained from the Office of the Comptroller of the Commonwealth of Puerto Rico (the “**Comptroller**”) either a confirmation that this Agreement and the Initial Forbearance Agreement are exempt from registration, or a notice exempting this Agreement and the Initial Forbearance Agreement from registration (either, an “**Exemption**”), or (ii) have obtained a waiver (the “**Waiver**”) from the Comptroller from any applicable requirement to file a copy of this Agreement and the Initial Forbearance Agreement with the Comptroller, or (iii) have submitted this Agreement and the Initial Forbearance Agreement for registration with the Comptroller, in each case pursuant to the provisions of Act No. 18 of the Legislative Assembly of the Commonwealth, approved October 30, 1975, as amended; and
- (o) By no later than five(5) business days after the date hereof, PREPA shall deliver to the Agent a certificate of resolution of the GDB Board ratifying the terms of this Agreement.

5. Termination.

- (a) This Agreement shall terminate at 11:59 p.m. (prevailing Eastern Time) on March 31, 2015 (the “**Forbearance Termination Date**”), unless terminated earlier in accordance with the terms of this Agreement.
- (b) In addition, this Agreement shall terminate automatically if
 - (i) The Trust Amendment is not effective on or before fifteen (15) business days after the Effective Date; or
 - (ii) A suspension period notice or proceeding pursuant to the Recovery Act or any other action or proceeding that seeks to adjust or challenge the claims of PREPA’s creditors pursuant to any federal, state, or Puerto Rico statute, now or hereinafter enacted, is instituted by or on behalf of PREPA, in which case the Forbearance Termination Date shall be deemed to have occurred.

- (c) In addition, PREPA shall have the right, upon written notice to the Agent for the benefit of the Lenders, Citibank, the Forbearing Bonds and GDB to terminate this Agreement upon the occurrence of any of the following events (each, a “**PREPA Termination Event**”):
- (i) Any of the Forbearing Creditors fails to comply with any of the material terms, covenants, provisions, or conditions of this Agreement or any such material terms, provisions or conditions are otherwise subject to any breach, default or violation on the part of any Forbearing Creditor, or any of the material representations or warranties of any of the Forbearing Creditors as set forth in this Agreement is not true or accurate in any material respect at any time during the Forbearance Period (each of the foregoing, a “**Forbearing Creditor Default**”), which Forbearing Creditor Default, if capable of being cured, is not cured within five (5) business days after receipt of a written notice thereof from PREPA;
 - (ii) PREPA determines, after consultation with counsel, to terminate the Agreement in the exercise of its fiduciary or statutory duties; and
 - (iii) Any Forbearing Creditor commences, prosecutes, joins, intercedes or otherwise supports by filing pleadings or appearing to argue in any way in a Recovery Act Legal Action.

The Forbearance Termination Date shall be deemed to have occurred as of the date and time when PREPA delivers such written notice.

(d) [**Reserved.**]

(e) [**Reserved.**]

(f) In addition, at any time after 11:59 p.m. (prevailing Eastern Time) on January 15, 2015, the Agent on behalf of the Lenders shall have the right, upon written notice to PREPA, to terminate this Agreement. The Forbearance Termination Date shall be deemed to have occurred as of the date and time when the Agent on behalf of the Lenders delivers such written notice.

(g) In addition, upon the occurrence of any of the following (each a “**Termination Event**”), the Agent on behalf of the Lenders, shall have the right, upon written notice to PREPA, to terminate this Agreement:

- (i) A default by PREPA or an event of default (except for the Designated Events of Default) has occurred and is continuing under any Transaction Document and, if subject to a cure period, has not been cured by PREPA within the applicable cure period;
- (ii) Measured as of (A) the end of the fourth (4th) week of the Initial 13-Week Cash Flow Statement or (B) the end of each week during a

Subsequent 13-Week Budget (taking into account for purposes of the following calculations, the necessary number of weeks from the previous budget period such that the calculations are made over a four (4)-week period), a variance of:

- (x) 10% or more occurs in respect of actual results in the collections line item in the Initial 13-Week Cash Flow Statement or Subsequent 13-Week Budget then in effect, such that total actual collections on the measurement date are, in the aggregate, 10% less than the budgeted amounts, it being agreed and acknowledged that if collections in a prior week during the applicable 13-week period exceed the budgeted amounts such amounts shall carry forward to subsequent weeks within the 13-week period; or
- (y) 20% or more occurs in respect of actual results in the disbursements and capital expenditure line items included in the Initial 13-Week Cash Flow Statement or Subsequent 13-Week Budget then in effect, such that actual disbursements and capital expenditures are, in the aggregate, 20% greater than the budgeted amounts, it being agreed and acknowledged that if disbursements and capital expenditures are not used in a prior week during a 13-week period, such amounts shall carry forward to subsequent weeks within the 13-week period, provided that (1) professional fees shall be excluded from the disbursements test, and (2) any #6 fuel oil purchases will be included in the Initial 13-Week Cash Flow Statement at current prices and 60-day terms, with no credit limit, and (3) for purposes of the disbursement test, such amounts will be reflected either at the then-in effect terms or contract terms, as applicable;
- (iii) If PREPA makes a disbursement to GDB that is not contemplated by the Initial 13-Week Cash Flow Statement or a Subsequent 13-Week Budget, as applicable;
- (iv) Any Puerto Rico law is enacted or a legal action is commenced by a party other than any Forbearing Creditor, either of which has a material adverse effect on PREPA or the rights or interests of the Forbearing Creditors, in their capacity as creditors of PREPA; *provided*, that in no event shall a Recovery Act Legal Action constitute a material adverse effect on PREPA;
- (v) A default, event of default, or termination event has occurred with respect to PREPA's obligations under any of the Citibank Forbearance Agreement, the Bonds Forbearance Agreement or the GDB Forbearance Agreement and such default, event of default, or termination event has not been waived by Citibank, the Forbearing Bonds or GDB, as applicable or if subject to a cure period, has not been cured by PREPA within the applicable cure period; and

- (vi) During the Forbearance Period, except as expressly permitted under this Agreement, PREPA (A) makes any payment of principal amount under any of the Trust Agreement, the Citibank Facility or the GDB Loan Agreements, or (B) enters into any new financing, loan, or “debtor in possession” facility (including the provision of any commitment fee, or the payment of any prepayment premium or any prepayment under a forward delivery contract) to borrow greater than \$10 million (not including any insurance premium financing, any unsecured federally guaranteed loan financing, or any vehicle or equipment leases), in the aggregate, whether or not such arrangement would comply with or otherwise require the consent of the Forbearing Creditors pursuant to the Credit Agreement or any other Loan Document;
- (vii) If PREPA does not provide to the Agent, for the benefit of the Lenders, the Rolling 13-Week Cash Flow Statement in accordance with Section 4(a)(v) above, including the weekly variance report described in such Section 4(a)(v), or a Subsequent 13-Week Budget in accordance with Section 4(a)(vi), if such failure to so provide is not cured within three (3) business days;
- (viii) If a Subsequent 13-Week Budget is not in form and substance reasonably acceptable to the Agent on behalf of the Lenders; *provided, however,* that the Agent on behalf of the Lenders may only terminate this Agreement upon such event in the seven (7) business day period prior to such Subsequent 13-Week Budget becoming effective unless PREPA, at the request of the Agent on behalf of the Lenders agrees to extend such period for up to five (5) business days;
- (ix) PREPA fails to comply with any of the material terms, covenants, provisions, or conditions of this Agreement or any such material terms, covenants provisions or conditions are otherwise subject to any breach, default or violation on the part of PREPA, or any of the material representations or warranties of PREPA as set forth in this Agreement is not true or accurate in any material respect at any time during the Forbearance Period, other than as set forth in subsection (vii) above (each of the foregoing, a “**PREPA Forbearance Default**”), which PREPA Forbearance Default, if capable of being cured, is not cured within five (5) business days after receipt of a written notice thereof from the Agent on behalf of the Lenders;
- (x) If PREPA does not retain a chief restructuring officer or similar officer with the scope of authority set forth on Annex B that is reasonably acceptable to the Agent on behalf of the Lenders on or before September 8, 2014;
- (xi) If PREPA does not hire FTI Consulting, which shall consult in good faith with the Agent on behalf of the Lenders, in the course of its work

to (w) examine, evaluate and make recommendations with respect to PREPA's billing practices, (x) examine, evaluate and make recommendations with respect to collection of the outstanding receivables owed to PREPA by the Commonwealth, and the public corporations, agencies, municipalities or other instrumentalities of the Commonwealth, (y) examine, evaluate and make recommendations with respect to CILT, and (z) develop and recommend "best practices," and a proposed timeline for implementing such best practices, in a report to be produced to PREPA no later than November 15, 2014 (with a copy to the Forbearing Creditors);

- (xii) If PREPA has not delivered a Business Plan by December 15, 2014; or
- (xiii) If PREPA has not delivered a proposed recovery program or debt enforcement plan that is reasonably acceptable to the Agent on behalf of the Lenders on or before March 2, 2015.

The Forbearance Termination Date shall be deemed to have occurred as of the date and time when the Agent on behalf of the Lenders issues such written notice.

- (h) Once a Party is no longer a Party to this Agreement, such Party shall be entitled to exercise any rights or remedies it may have under the Loan Documents or applicable law, at law or in equity, and any applicable statutes of limitation with respect to any such rights or remedies shall be tolled during the Forbearance Period applicable to such Party.
- (i) Except with respect to PREPA's obligations pursuant to Section 1(d) of this Agreement and any Party's obligations pursuant to the second paragraph of Section 2(b) and Sections 7, 9, 10 or 11 or as otherwise set forth in this paragraph, the sole and exclusive remedy of any Party for any breach of this Agreement by any other Party shall be termination under this Section 5, and such breach shall not give rise to any claims against any Party at law or in equity; provided, however, that notwithstanding the foregoing, the Parties agree that irreparable damage would occur in the event that any Forbearing Creditor does not perform in accordance with the specific terms of this Agreement, and accordingly PREPA shall be entitled to equitable relief, including specific performance, in the event of any breach or threatened breach of this Agreement by a Forbearing Creditor.

6. Disclosure of Information. Each of PREPA, the Agent and each of the Lenders (i) acknowledges that the existence and terms of this Agreement and, in the case of the Agent and each of the Lenders, any and all information relating to PREPA (including, without limitation, any information shared by PREPA in connection with discussions on the financial restructuring of PREPA and any and all information provided by PREPA in compliance with the information covenants of this Agreement) constitute confidential information (the "**Confidential Information**"), and (ii) agrees not to disclose any such Confidential Information to any Person

without the prior written consent of the other parties except to (x) any of its directors, officers, employees, affiliates, agents, attorneys, auditors or advisors (solely to the extent necessary for it to perform its obligations under this Agreement), (y) any other Person in connection with an assignment or participation under the Credit Agreement (collectively, the “**Authorized Persons**”); *provided* that it shall inform each such Authorized Person of the confidential nature of the Confidential Information and shall direct each such Authorized Person to treat such Confidential Information in accordance with its terms of this Section 6, or (z) Citibank, any holder of bonds issued under the Trust Agreement or any other creditor of PREPA, *provided* that such party is subject to an agreement for the benefit of PREPA containing confidentiality undertakings substantially similar (or at least as restrictive) to those of this Section; and *provided* further that it shall be permitted to disclose such information (i) to the extent required by any law, rule or regulation or by any subpoena or similar judicial and/or administrative order, or other regulatory authority (including any self-regulatory organization having jurisdiction or claiming to have jurisdiction over either party), including, for the avoidance of doubt, in connection with PREPA’s obligations under Section 4(n) above, (ii) to the extent that such information is or becomes generally available to the public other than as a result of disclosure by it or its Authorized Persons, (iii) to the extent such information becomes available to the Agent or any Lender, directly or indirectly, on a nonconfidential basis from a source other than PREPA, *provided* such source is not in breach of its confidentiality obligations to PREPA, or (iv) to the extent that such information is independently developed by the Agent or any Lender without using such information. Additionally, each of PREPA, the Agent and each of the Lenders shall not refer to, disclose or use, directly or indirectly, in any legal proceedings (other than a legal proceeding to enforce this Agreement) the Confidential Information; *provided* that any of PREPA, the Agent and the Lenders agree that the Confidential Information may be used in connection with legal proceedings to enforce the rights of PREPA, the Agent or the Lenders but only to the extent such Confidential Information would not otherwise be inadmissible pursuant to Rule 408 of the Federal Rules of Evidence (or any state or Commonwealth law equivalent). The immediately preceding sentence shall not impair any of PREPA’s, Agent’s or Lenders’ rights to seek to have any Confidential Information filed under seal or to object to the sealing of any Confidential Information.

7. Assignments; Holders’ Disclosures.

- (a) For the period commencing as of the date hereof until the earliest to occur of (i) the fifteenth (15th) business day following such date if the Effective Date has not occurred and (ii) termination of this Agreement pursuant to the terms hereof (the “**Assignment Limitation Period**”), each Forbearing Creditor shall not sell, assign, transfer or otherwise pledge or dispose of (“**Transfer**”) all or a portion of any of its rights and obligations under the Credit Agreement, except such Transfer may be made (A) if the transferee is a Forbearing Creditor at the time of the Transfer or (B) if the transferee is not a Forbearing Creditor, such transferee (a “**Qualified Transferee**”) delivers to each of the Forbearing Creditors, PREPA, Citibank, and the Forbearing Bonds at or prior to the time of the Transfer, the joinder attached hereto as Annex C, pursuant to which such transferee shall assume all obligations of the Forbearing Creditor transferor hereunder in respect of the rights and obligations transferred under the Credit Agreement (such

transferee, if any, shall also be a “Forbearing Creditor” hereunder). To the extent that a Transfer violates the provisions of this section, the Transfer shall be void ab initio and the applicable rights and obligations under the Credit Agreement and the Forbearing Creditor shall continue to remain subject to the terms of this Agreement. This Agreement shall in no way be construed to preclude any of the Forbearing Creditors from acquiring additional rights and obligations under the Credit Agreement; provided that any such acquired rights and obligations under the Credit Agreement shall automatically and immediately upon acquisition by a Forbearing Creditor be deemed subject to all of the terms of this Agreement.

(b) [**Reserved.**]

(c) [**Reserved.**]

8. Announcements. None of the Parties shall issue any press release or other public statement announcing this Agreement without the consent of the other Parties, which consent shall not be unreasonably withheld or delayed.

9. Release of Claims and Waiver of Defenses. In further consideration of the Forbearing Creditors’ entry into and performance under this Agreement, PREPA, on behalf of itself and its successors, assigns, parents, subsidiaries, affiliates, officers, directors, employees, agents and attorneys hereby forever, fully, unconditionally and irrevocably waives and releases the Forbearing Creditors and their respective successors, assigns, parents, subsidiaries, affiliates, officers, directors, employees, attorneys, financial advisors and agents (collectively, the “**Releasees**”) from any and all claims, liabilities, obligations, debts, causes of action (whether at law or in equity or otherwise), defenses, counterclaims and setoffs of any kind, whether known or unknown, liquidated or unliquidated, matured or unmatured, fixed or contingent, or otherwise, directly or indirectly arising out of, connected with, resulting from or related to any act or omission by the Forbearing Creditors or any other Releasee with respect to the Credit Agreement or any other Loan Documents, except to the extent that any such claims, liabilities, obligations, debts, causes of action, defenses, counterclaims and setoffs are found in a final, nonappealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Releasees.

10. Amendment. Except as provided in Section 5(a) of this Agreement, once effective, this Agreement may not be modified, amended, supplemented or otherwise altered (except as expressly provided herein), and no term or condition may be waived, except in a writing signed by PREPA and the Agent on behalf of the Lenders. In addition, absent the consent of Citibank and 85% of the Forbearing Bonds, this Agreement shall not be amended, modified or supplemented in any way that would (i) prejudice or impair Citibank or the Forbearing Bonds’ rights under this Agreement or the Loan Documents, (ii) enhance the existing rights of the Forbearing Creditors, or (iii) without limiting the preceding clauses (i) or (ii), modify the provisions of this Agreement in any way that is adverse to Citibank or the Forbearing Bonds. Prior to entering into any amendment, modification or supplement to this Agreement, PREPA shall provide written notice of any such proposed amendment (each, a “**Proposed Forbearance Amendment**”) to Citibank and the Forbearing Bonds. If PREPA does not receive

any written objection to a Proposed Forbearance Amendment from Citibank or any of the Forbearing Bonds outstanding subject to this Agreement, within five (5) business days of providing such notice, no consent of Citibank or any of the Forbearing Bonds, shall be required pursuant to this paragraph prior to PREPA's entry into the applicable Proposed Forbearance Amendment.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, legal representatives and assigns. PREPA shall not assign or transfer its rights under this Agreement without the consent of the Agent on behalf of the Lenders. No Forbearing Creditor shall assign or transfer its rights under this Agreement other than in connection with a Transfer pursuant to Section 7 of this Agreement. This Agreement is entered into for the exclusive benefit of the parties hereto and no other party (other than Citibank and the Forbearing Bonds, which are made express third-party beneficiaries of Sections 1(a)-(b), 2(b) (second paragraph), 5(i) and 10 hereof, as applicable, *provided* that the remedy of such third-party beneficiaries shall be limited to specific performance thereof) shall derive any rights or benefits herefrom, and any other third-party beneficiary rights are hereby expressly disclaimed.

12. Further Assurances. The parties hereto agree that upon the reasonable request of any other Party to this Agreement, each such Party will execute and deliver to the requesting Party such other additional instruments and documents or perform or cause to be performed such other and further acts and things, as may be reasonably necessary to more fully consummate the transactions as set forth in this Agreement; provided, however, that performance by any Party under this paragraph shall not create any new liability or obligation on the performing Party whatsoever.

13. Reaffirmation of Loan Documents. PREPA hereby ratifies and reaffirms all of the terms, provisions and covenants contained in each of the Credit Agreement, as amended hereby, and Loan Documents to which it is a party, which continue to be in full force and effect as written and unmodified hereby.

14. Notices. All notices or demands given or made by one Party to the other relating to this agreement shall be in writing and either personally served or sent by registered or certified mail, postage paid, return receipt requested, overnight delivery service, or by electronic mail transmission with a copy by first-class mail, and shall be deemed given for purposes of this Agreement on the earlier of the date of actual receipt or three (3) days after the deposit thereof in the mail. Unless a different or additional address for subsequent notices is specified in a notice sent or delivered in accordance with this Section, such notices or demands shall be sent as follows:

If to PREPA:

Richard J. Cooper, Esq. and
Sean A. O'Neal, Esq.
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006

If to GDB:

Jose R. Coleman Tió
Government Development Bank for Puerto
Rico
P.O. Box 42001
San Juan, PR 00940-2001

rcooper@cgsh.com
soneal@cgsh.com

Jose.R.Coleman@bgfpr.com

and

Puerto Rico Electric Power Authority
Attention: Office of the General Counsel
P.O. Box 364267
San Juan, Puerto Rico 00936-4267

If to Citibank:

Citibank, N.A.
Physical #271 Muñoz Rivera Ave.
6th Floor
San Juan, Puerto Rico 00918
Attn: Guillermo Gómez,
guillermo.gomez@citi.com

and

Citibank, N.A.
388 Greenwich Street
New York, New York 10013
Attn: Tatiana Iliczewa,
tatiana.iliczewa@citi.com

and

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Attn: Donald S. Bernstein
(donald.bernstein@davispolk.com) and
Brian M. Resnick
(brian.resnick@davispolk.com)

If to the Forbearing Creditors:

Richard G. Mason and
Austin T. Witt
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
rgmason@wlrk.com
awitt@wlrk.com

and

Rafael Flores
Scotiabank de Puerto Rico
Scotiabank Plaza
290 Jesus T. Pinero Avenue
8th Floor
San Juan, PR 00918
Rafael.flores@scotiabank.com

If to the Forbearing Bonds:

To the advisors of the Forbearing Bonds, in each case solely to the notice addresses listed for such advisors in Section 14 of the Bonds Forbearance Agreement.

15. Governing Law. This Agreement shall be governed and construed and enforced in accordance with the laws of the State of New York, other than with respect to Sections 1(a), 1(d), 2(b)(second paragraph), 4(n) and 22, which shall be governed by and construed in

accordance with the laws of the Commonwealth as set forth in Section 9.09 of the Credit Agreement. Nothing herein shall affect Section 9.09 of the Credit Agreement.

16. Jurisdiction. Any dispute arising under or in connection with this Agreement shall be brought in the exclusive jurisdiction and venue of the courts of the Commonwealth of Puerto Rico or the United States District Court for the District of Puerto Rico.

17. WAIVER OF TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING SOLELY OUT OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF, WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

18. Survival. The following provisions shall survive the termination of this Agreement and shall remain in full force and effect notwithstanding the occurrence of the Forbearance Termination Date: Sections 1(e), 2(b) (second paragraph), 5(h), 5(i), 6, 9, 11, 13, 15, 16, 17, 18, 19 and 23.

19. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and either of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed signature page of this Agreement by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

20. Business Day. The term “business day” means any day other than a Saturday, Sunday, or legal holiday on which the banking institutions in the Municipality of San Juan, Puerto Rico are authorized by law to be closed.

21. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes any prior agreements, including any deemed agreements, between the Parties regarding the subject matter hereof.

22. Comptroller of Puerto Rico. No obligation under this Agreement shall be demanded until such time as this Agreement has been submitted for registration, or PREPA obtains an Exemption or a Waiver to such registration pursuant to Section 4(n) above, in each case pursuant to the provisions of Act No. 18 of the Legislative Assembly of the Commonwealth, approved October 30, 1975, as amended.

23. Payment of Fees. Nothing in this Agreement waives PREPA’s obligations to pay fees and expenses pursuant to the Credit Agreement and Section 12 of the Initial Forbearance Agreement. PREPA agrees that any unpaid fees and expenses (including attorney’s fees and financial advisor fees) incurred by the Forbearing Creditors and their counsel in connection with

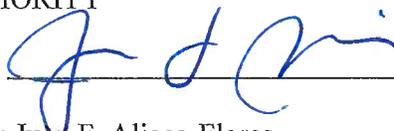
the Credit Agreement, the Initial Forbearance Agreement, this Agreement or the other instruments and documents being executed and delivered in connection herewith and the transactions contemplated hereby shall constitute valid claims against, and obligations of, PREPA, for all purposes (including in any proceeding under the provisions of chapter 2 or chapter 3 of the Recovery Act).

[Signature Pages Follow]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER
AUTHORITY

By: _____



Name: Juan F. Alicea-Flores

Title: Executive Director

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By: _____

Name: RICARDO FISHMAN

Title: VICE PRESIDENT

BANCO POPULAR DE PUERTO RICO, as
Lender

By: _____

Name: _____

Title: _____

ORIENTAL BANK, as Lender

By: _____

Name: _____

Title: _____

FIRSTBANK PUERTO RICO, as Lender

By: _____

Name: _____

Title: _____

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By: _____

Name: _____

Title: _____

BANCO POPULAR DE PUERTO RICO, as
Lender

By: Juan Pablo Torres

Name: Juan Pablo Torres

Title: Assistant Vice President

ORIENTAL BANK, as Lender

By: _____

Name: _____

Title: _____

FIRSTBANK PUERTO RICO, as Lender

By: _____

Name: _____

Title: _____

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By: _____

Name: _____

Title: _____

BANCO POPULAR DE PUERTO RICO, as
Lender

By: _____

Name: _____

Title: _____

ORIENTAL BANK, as Lender

By:  

Name: Patrick J. Haggarty / Helen M. Pardo

Title: EVP / SVP

FIRSTBANK PUERTO RICO, as Lender

By: _____

Name: _____

Title: _____

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By: _____

Name: _____

Title: _____

BANCO POPULAR DE PUERTO RICO, as
Lender

By: _____

Name: _____

Title: _____

ORIENTAL BANK, as Lender

By: _____

Name: _____

Title: _____

FIRSTBANK PUERTO RICO, as Lender

By: Laurelie O'Neil

Name: LAURELIE O'NEIL

Title: EVP, General Counsel

Annex A – Designated Events of Default¹

1. Any Default or Event of Default under clause (d) of Article VII of the Credit Agreement, solely with respect to any failure to comply with Section 5.02(a) of the Credit Agreement in relation to PREPA's obligation to give notice within 10 days of (a) the change in PREPA's Senior Debt rating by Moody's or S&P's (an Adjustment Event), specifically (i) Moody's Investors Service change of its rating of PREPA's Senior Debt to "Ba2" on February 7, 2014, (ii) Standard & Poor's Ratings Service change of its rating of PREPA's Senior Debt to "BBB-" on June 18, 2014 and (b) a Default due to such change in Senior Debt rating resulting in the counterparties under certain interest rate swap agreements or Citibank under the Citibank Facility, each constituting Material Indebtedness under the Credit Agreement, having the right to cause the corresponding Indebtedness to become due prior to their respective scheduled maturities under the Credit Agreement.

2. Any Default or Event of Default under clause (f) of Article VII of the Credit Agreement in connection with any defaults listed on (i) Annex A to the Citibank Forbearance Agreement and (ii) Annex D to the Bonds Forbearance Agreement.

3. Any Default or Event of Default under clause (g) of Article VII of the Credit Agreement in connection with any defaults listed on (i) Annex A to the Citibank Forbearance Agreement and (ii) Annex D to the Bonds Forbearance Agreement.

4. Any Default or Event of Default under sub-clause (vi) of clause (i) of Article VII of the Credit Agreement (solely with respect to relief under the Public Corporation Debt Enforcement and Recovery Act (the "*Recovery Act*")).

5. Any Default or Event of Default under clause (j) of Article VII of the Credit Agreement.

6. Any Default or Event of Default under clause (a) of Article VII of the Credit Agreement as a result of PREPA's failure to pay any principal or default interest of any Advance during the Forbearance Period.

7. Any Default or Event of Default under clause (b) of Article VII of the Credit Agreement as a result of PREPA's failure to pay any fees incurred by advisors to the Administrative Agent and the Lenders during the Forbearance Period.

¹ Capitalized terms not otherwise defined on this Annex shall have the meaning attributed to such terms in the Credit Agreement.

Annex B – Scope of CRO Authority

The Chief Restructuring Officer (“CRO”) shall report to the Board of Directors (the “Board”) of the Puerto Rico Electric Power Authority (“PREPA”).

The CRO shall work alongside PREPA’s CEO (Executive Director) to develop, organize and manage a financial and operational restructuring of PREPA on terms to be approved by the Board.

The CRO shall, subject to applicable law and regulations:

1. Provide overall leadership of the restructuring process.
2. Serve as the primary point of contact on behalf of PREPA in communications and negotiations with PREPA’s creditors.
3. Provide expert testimony with respect to any case filed by PREPA under provisions of Chapter 2 and/or Chapter 3 of the Puerto Rico Public Corporation Debt Enforcement and Recovery Act.
4. Serve on and participate in the Integrated Resource Plan (“IRP”) committee.
5. Lead PREPA’s process to develop a comprehensive business plan (the “Business Plan”) which will serve as the underpinning for the overall Restructuring.
6. Work alongside PREPA’s CEO to improve PREPA’s worker protection and safety record.
7. Work alongside PREPA’s CFO to lead the efforts for any revenue improvement and cost reduction plans that are necessary or appropriate for the implementation of the Business Plan.
8. Work alongside PREPA’s CFO to oversee and implement cash and liquidity management/preservation activities.
9. Work alongside PREPA’s CEO to improve analysis, tracking and collection efforts and related processes for accounts receivables.
10. Work alongside the CEO to review, refine and implement improvements to PREPA’s capital expenditure plan, including the timing and amount of capital expenditures.
11. Work alongside the CEO to develop generation, transmission, distribution and other operational improvements.
12. Attend and participate in all meetings of the Board.

13. Subject to the approval of the Board and CEO, appoint additional officers that report to the CRO, with responsibilities for specific operational and financial aspects of the Restructuring.

Annex C – Forbearing Creditor Joinder

FORM OF JOINDER

This Joinder to the Forbearance Agreement (as amended, supplemented or otherwise modified from time to time, the “Forbearance Agreement”), dated as of August [●], 2014 by and among: [INITIAL PARTIES] and the Forbearing Creditors from time to time party thereto, is executed and delivered by [_____] (the “Joining Forbearing Creditor”). Each capitalized term used herein but not defined herein shall have the meaning set forth in the Forbearance Agreement.

1. Agreement to be Bound. The Joining Forbearing Creditor hereby agrees to be bound by all of the terms of the Forbearance Agreement. The Joining Forbearing Creditor shall hereafter be deemed to be a “Forbearing Creditor” and a Party for all purposes under the Forbearance Agreement.

2. Representations and Warranties. With respect to the Loans held by the Joining Forbearing Creditor upon consummation of the Transfer to the Joining Forbearing Creditor, the Joining Creditor Party hereby makes, as of the date hereof, the representations and warranties of the Forbearing Creditors set forth in Sections 3(a) and 3(d) of the Forbearance Agreement to each of the other Parties to the Forbearance Agreement.

3. Governing Law. Section 15 of the Forbearance Agreement is incorporated by reference as if set forth fully herein, except that any references to “Agreement” shall be replaced with references to “Joinder”.

* * * *

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Joining Forbearing Creditor has caused this Joinder to be executed as of the date first written above.

Entity Name of Joining Forbearing Creditor

Authorized Signatory:

By: _____

Name:

Title:

Address: