

AMENDMENT NO. 9 TO THE FORBEARANCE AGREEMENT

This Amendment No. 9, dated as of September 22, 2015 (“*Amendment No. 9*”), to the Forbearance and Amendment Agreement, dated as of August 14, 2014, as amended on March 30, 2015, April 15, 2015, April 30, 2015, June 4, 2015, June 18, 2015, June 30, 2015, September 1, 2015 and September 18, 2015 (as it may be further amended, supplemented or otherwise modified from time to time, including by this Amendment No. 9, the “*Agreement*”), is entered into by and among PREPA, SCOTIABANK DE PUERTO RICO, as agent for the Lenders, and the LENDERS signatory hereto (the “*Forbearing Creditors*”).

WHEREAS, the Parties desire to amend the Agreement to (i) extend the term of the Agreement, (ii) modify the terms of certain termination rights in accordance with the terms of this Amendment No. 9, and (iii) modify certain covenants of the Parties in accordance with the terms of this Amendment No. 9.

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:

Unless otherwise defined herein or amended hereby, capitalized terms used herein which are defined in the Agreement shall have the meanings ascribed to them in the Agreement.

1. Conditions to Effectiveness. This Amendment No. 9 shall become effective as of the date (the “*Amendment No. 9 Effective Date*”) that each of the following shall have occurred:

(a) All Parties shall have duly executed a counterpart of this Amendment No. 9;

(b) PREPA shall have executed amendments to the Citibank Forbearance Agreement and the Bonds Forbearance Agreement, in each case in form and substance acceptable to the Agent on behalf of the Lenders;

(c) 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; and

(d) PREPA shall have received and provided written confirmation to the Agent on behalf of the Lenders of all approvals required to enter into and perform the Agreement, as amended by this Amendment No. 9, 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 the Agreement, as amended by this Amendment No. 9.

2. Covenants by PREPA. Section 4 of the Agreement shall be amended to add the word “and” immediately after clause (t), and add (immediately following clause (t) and immediately prior to section 5), the following:

“(u) PREPA and the Forbearing Creditors shall each work collaboratively and in good faith to reach agreement on a recovery plan incorporating the terms described on the Recovery Plan Term Sheet attached hereto as Annex A.”

3. Termination.

(a) Section 5(a) of the Agreement is hereby amended and restated in its entirety as follows:

“This Agreement shall terminate at 11:59 p.m. (prevailing Eastern Time) on October 1, 2015 (the “**Forbearance Termination Date**”), unless terminated earlier in accordance with the terms of this Agreement.”

(b) Section 5(b) of the Agreement shall be amended to delete the word “or” immediately after clause (i), add the word “or” immediately after clause (ii), and to add (immediately following clause (ii) and immediately prior to Section 5(c), the following:

“A restructuring support agreement is not agreed between PREPA and the Forbearing Creditors by 8:00 p.m. (prevailing Eastern Time) on October 1, 2015.”

4. Binding Effect. Notwithstanding anything to the contrary in the Agreement, the Agreement, as amended by this Amendment No. 9, shall continue to constitute a binding agreement among the Parties executing this Amendment No. 9.

5. Effectiveness. On or after the Amendment No. 9 Effective Date, each reference in the Agreement to “this Agreement,” “Forbearance Agreement,” “hereunder,” “hereof,” herein,” or words of like import referring to the Agreement shall mean and be a reference to the Agreement, as amended by this Amendment No. 9. Except as amended by this Amendment No. 9, the provisions of the Agreement are and shall remain in full force and effect. Except as provided in this Amendment No. 9, nothing in this Amendment No. 9 shall constitute a waiver of the rights or obligations of any of the Parties under the Agreement.

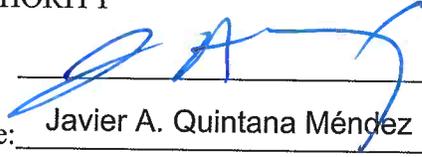
6. Governing Law. This Amendment No. 9 shall be governed and construed and enforced in accordance with the laws of the State of New York.

7. Counterparts. This Amendment No. 9 may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the Parties hereto may execute this Amendment No. 9 by signing any such counterpart. Delivery of an executed signature page of this Amendment No. 9 by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

8. Entire Agreement. This Amendment No. 9 constitutes the entire agreement among the Parties regarding the subject matter hereof, and supersedes any prior agreements, including any deemed agreements, among the Parties regarding the subject matter hereof.

IN WITNESS WHEREOF, this Amendment No. 9 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER
AUTHORITY

By:  _____

Name: Javier A. Quintana Méndez

Title: Executive Director

Scotia

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By:  _____

Name: Roy Purcell

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: AVP

ORIENTAL BANK, as Lender

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

FIRSTBANK PUERTO RICO, as Lender

By: _____

Name: _____

Title: _____

SCOTIABANK DE PUERTO RICO, as Agent and
as Lender

By: _____

Name: _____

Title: _____

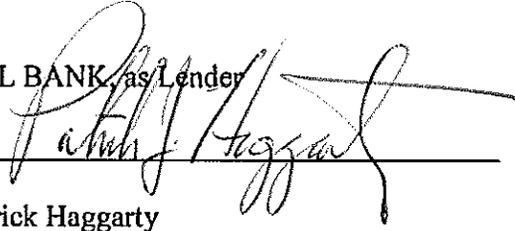
BANCO POPULAR DE PUERTO RICO, as
Lender

By: _____

Name: _____

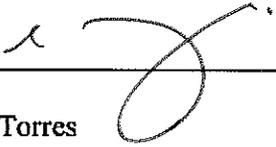
Title: _____

ORIENTAL BANK, as Lender

By:  _____

Name: Patrick Haggarty

Title: Executive Vice President

By:  _____

Name: Tomás Torres

Title: Senior Vice President

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: _____

Name: MICHAEL M DONATO

Title: V.P. - BUSINESS GROUP

Annex A

Scotiabank Facility – Term Sheet

Consistent with Amendment No. 9 to the Forbearance Agreement, to which this Term Sheet is attached, this Term Sheet creates an obligation for PREPA and the Forbearing Creditors to work collaboratively and in good faith to reach agreement on a recovery plan incorporating the terms described herein. This Term Sheet does not set forth all of the terms that would be included in definitive documents, and the proposed financing contemplated hereby is subject in all respects to completion of legal and financial due diligence, further negotiation between the parties, execution of definitive documents and obtaining any necessary approvals.

Nothing in this Term Sheet shall constitute an admission or representation of any fact or circumstance or an admission of any liability or waiver of any right or claim, and nothing contained herein may be used or offered into evidence in any legal, administrative or other proceeding. The rights of all parties are subject to the agreement and execution of definitive documentation in all respects. Unless and until the execution of definitive documentation, the parties shall retain their respective rights and any negotiation of and/or agreement to this Term Sheet shall not be deemed a waiver of any rights of any party. If executed, the terms of such definitive documentation shall control.

General: Lenders under the existing Scotiabank Credit Agreement (the “**Existing Credit Agreement**”) shall have the option to elect either of the following alternatives (or a combination thereof):

- (a) Amend and restate the Credit Agreement as set forth below to provide for an amended and restated term loan facility (the “**Facility**”) and/or
- (b) Exchange all or part of their indebtedness under the Existing Credit Agreement into Securitization Bonds (subject to the terms and conditions set forth in the Ad Hoc Group Term Sheet, including with respect to the 85% exchange ratio and interest-only period).

Amended and Restated Bank Facility	Revolving facility under the Existing Credit Agreement is converted into a term loan facility.
Amount	US\$549,950,000.00
Interest Rate	5.75% per annum, paid in cash quarterly in arrears
Maturity	6 years from the date of issuance
Amortization	Quarterly amortization, based on a fixed payment schedule (see <u>Schedule A</u> below).
Security/Ranking	Unsecured. “Current Expense” status (as defined in the Trust Agreement governing the Bonds) of the Facility and any refinancing thereof with respect to the Borrower’s power revenue bonds that are not exchanged for securitized bonds (the “ Bonds ”) and other obligations that are not presently defined as Current Expenses. Status to be confirmed by amendment to Trust Agreement executed by 60% of bondholders prior to restructuring effectiveness.

Tax-Exempt Status	Parties agree to work collaboratively in good faith to make Facility tax-exempt under U.S. federal and Puerto Rico law on terms mutually acceptable to PREPA and the Lenders.
Other Loan Terms	Representations and warranties, covenants (including financial maintenance covenants) and events of default to be based on Existing Credit Agreement, with revisions and additions to be mutually agreed in light of final agreed capital structure and business plan of restructured PREPA as part of restructuring support agreement (“ RSA ”).
Governing Law	Commonwealth
Jurisdiction	Exclusive jurisdiction of SDNY and US District Court of PR (or NY Supreme Court)
Conditions to Consummation	Same as those set forth in the Ad Hoc Group Term Sheet, but including in addition: <ul style="list-style-type: none"> • Treatment of ad hoc group on terms substantially consistent with Ad Hoc Group Term Sheet dated September 1, 2015 and otherwise acceptable to Scotiabank; and • Treatment of Solus credit agreement and monolines on terms acceptable to Scotiabank.
Energy Commission, Rates, Reimbursement of Lender Fees/Expenses, and Other Terms	To be discussed and agreed as part of RSA.

*** **

Schedule A – Principal and Interest Schedule¹

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
3/31/16	\$20,623,125	\$7,905,531	\$28,528,656
6/30/16	20,623,125	7,609,074	28,232,199
9/30/16	20,623,125	7,312,616	27,935,741
12/31/16	20,623,125	7,016,159	27,639,284
3/31/17	20,623,125	6,719,702	27,342,827
6/30/17	20,623,125	6,423,244	27,046,369
9/30/17	20,623,125	6,126,787	26,749,912
12/31/17	20,623,125	5,830,329	26,453,454
3/31/18	20,623,125	5,533,872	26,156,997
6/30/18	20,623,125	5,237,414	25,860,539
9/30/18	20,623,125	4,940,957	25,564,082
12/31/18	20,623,125	4,644,500	25,267,625
3/31/19	27,497,500	4,348,042	31,845,542
6/30/19	27,497,500	3,952,766	31,450,266
9/30/19	27,497,500	3,557,489	31,054,989
12/31/19	27,497,500	3,162,213	30,659,713
3/31/20	34,371,875	2,766,936	37,138,811
6/30/20	34,371,875	2,272,840	36,644,715
9/30/20	34,371,875	1,778,745	36,150,620
12/31/20	34,371,875	1,284,649	35,656,524
3/31/21	13,748,750	790,553	14,539,303
6/30/21	13,748,750	592,915	14,341,665
9/30/21	13,748,750	395,277	14,144,027
12/31/21	13,748,750	197,638	13,946,388
Total	\$549,950,000	\$100,400,247	\$650,350,247

¹ Assumes an issuance date of January 1, 2016