

**AMENDMENT NO. 1 TO THE FORBEARANCE AGREEMENT**

This Amendment No. 1, dated as of March 30, 2015 (“*Amendment No. 1*”), to the Forbearance Agreement, dated as of August 14, 2014 (as it may be amended, supplemented or otherwise modified from time to time, including by this Amendment No. 1, the “*Agreement*”), is entered into by and among PREPA, National, Assured, Syncora, and the undersigned members of the Ad Hoc Group identified on Annex A (the “*Ad Hoc Group*” and, together with PREPA, National, Assured and Syncora, the “*Parties*”).

**RECITALS**

- A.** The Parties desire to amend the Agreement to (i) extend the term of the Agreement and (ii) modify the terms of certain termination rights in accordance with the terms of this Amendment No. 1.
- B.** As of the date hereof \$8,322,405,000 in principal amount of the Bonds is outstanding.
- C.** As of the date hereof, the total outstanding principal amount of Bonds insured by National under the Bond Insurance Agreements is \$1,397,520,000.
- D.** As of the date hereof, the total outstanding principal amount of Bonds insured by Assured under the Bond Insurance Agreements is \$940,260,000.
- E.** As of the date hereof, the total outstanding principal amount of Bonds insured by Syncora under the Bond Insurance Agreements is \$212,855,000.
- F.** As of the date hereof, the total outstanding principal amount of Bonds that are not Insured Bonds that are beneficially owned by each Holder is listed on each respective Holder’s signature page to this Agreement.
- G.** National, Assured, Syncora and the Ad Hoc Group (the “*Forbearing Creditors*”) collectively hold or insure more than 60% of the total outstanding principal amount of the Bonds.

**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. **Definitions.** 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. From and after the Amendment No. 1 Effective Date (as defined below), (i) the terms “Parties,” “Ad Hoc Group,” and “Forbearing Creditors,” as used in the Agreement, shall have the meanings assigned to such terms in this Amendment No. 1; and (ii) the phrase “the Bonds outstanding subject to this Agreement,” as used in the Agreement, shall be interpreted by reference to the Agreement as amended by this Amendment No. 1.

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

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

(b) PREPA shall have executed amendments to the Citibank/Scotiabank Forbearance Agreements in form and substance acceptable to the Forbearing Creditors;

(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 all Forbearing Creditors of all approvals required to enter into and perform the Agreement, as amended by this Amendment No. 1, 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. 1.

3. Representations.

(a) Representations of the Insurers. Each of the Insurers hereby represents and warrants (which is a continuing representation and warranty, and shall be true throughout the Forbearance Period) that each of the representations in the Recitals set forth above as to such Insurer is true and accurate as of the date hereof.

(b) Representations of the Holders. Each of the Holders hereby represents and warrants (which is a continuing representation and warranty, and shall, subject to the provisions of the Agreement relating to Transfer, be true throughout the Forbearance Period) that:

(i) it owns or has investment management responsibility for accounts that own Bonds that are not Insured Bonds in the principal amounts set forth on its respective signature page hereto or Forbearing Creditor Joinder (as applicable), and that it has not sold, assigned, transferred, participated or otherwise pledged such Bonds, or any voting consent or direction rights related to such Bonds, to any other person or entity, in each case, except as permitted by Section 7 of the Agreement; and

(ii) each of the representations in the Recitals set forth above as to the Holders is true and accurate as of the date hereof.

4. Covenants by PREPA.

(a) Section 4 of the Agreement shall be amended to delete the word “and” immediately after clause (n) and add (immediately following clause (o) and immediately prior to Section 5), the following:

“ (p) PREPA and the Forbearing Creditors agree to work collaboratively and in good faith to transform PREPA for the benefit of all of PREPA’s stakeholders, including its existing creditors; and

(q) It shall consider in good faith the plan presented by the Forbearing Creditors to PREPA on March 26, 2015.”

5. Forbearance Termination Date. 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 April 15, 2015 (the “*Forbearance Termination Date*”), unless terminated earlier in accordance with the terms of this Agreement.”

6. Assured Withdrawal Right. Section 5(d) of the Agreement is hereby amended and restated in its entirety as follows:

“In addition, if PREPA fails to satisfy its payment obligations under the Assured Swaps on October 1, 2014, January 1, 2015 or April 1, 2015, Assured shall have the right in each case, upon written notice to PREPA, Citibank, Scotiabank, the GDB and the advisors to the other Forbearing Creditors, in each case, solely to the notice addresses listed for such advisors in Section 14 hereof, to withdraw from this Agreement, in which case Assured shall no longer be considered a Forbearing Creditor as of the date of delivery of such written notice.”

7. Termination Rights.

(a) Section 5(g) of the Agreement shall be deleted in its entirety and replaced with the following:

“In addition, Forbearing Creditors holding beneficially or insuring at least 25% of the principal amount of Bonds outstanding subject to this Agreement, shall have the right, upon written notice to PREPA and the other Forbearing Creditors, to terminate this Agreement at any time during the Forbearance Period (each, a “*25% Termination Event*”):

(b) Section 5(h)(xiii) of the Agreement shall be deleted in its entirety and replaced with “[**Reserved.**]”

8. Binding Effect. Notwithstanding anything to the contrary in the Agreement, the Agreement, as amended by this Amendment No. 1, shall continue to constitute a binding agreement among the Parties executing this Amendment No. 1.

9. Effectiveness. On or after the Amendment No. 1 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. 1. Except as amended by this Amendment No. 1, the provisions of the Agreement are and shall remain in full force and effect. Except as provided in this Amendment No. 1, nothing in this Amendment No. 1 shall constitute a waiver of the rights or obligations of any of the Parties under the Agreement.

10. Governing Law. This Amendment No. 1 shall be governed and construed and enforced in accordance with the laws of the State of New York.


11. Counterparts. This Amendment No. 1 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. 1 by signing any such counterpart. Delivery of an executed signature page of this Amendment No. 1 by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

12. Entire Agreement. This Amendment No. 1 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.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER  
AUTHORITY

By:  March 31, 2015  
Name: Juan F. Alicea-Flores  
Title: Executive Director

NATIONAL PUBLIC FINANCE GUARANTEE  
CORPORATION

By: Matthew Cohn

Name: Matthew Cohn

Title: Director

REDACTED

ASSURED GUARANTY MUNICIPAL CORP.

By: *Russell B. Brewer II*

Name: Russell B. Brewer II

Title: Chief Surveillance Officer

ASSURED GUARANTY CORP.

By: *Russell B. Brewer II*

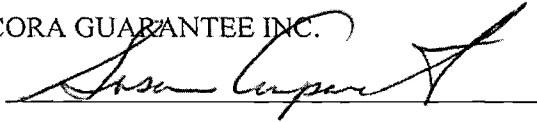
Name: Russell B. Brewer II

Title: Chief Surveillance Officer

**REDACTED**

SYNCORA GUARANTEE INC.

By:



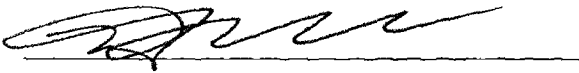
Name: Susan B. Comparato

Title: Chief Executive Officer and President

**REDACTED**



AG MM, L.P.

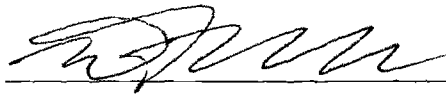
By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG CAPITAL RECOVERY PARTNERS VIII,  
L.P.

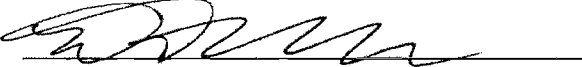
By:  \_\_\_\_\_

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG ELEVEN PARTNERS, L.P.

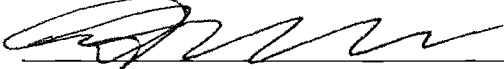
By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG SUPER FUND INTERNATIONAL  
PARTNERS, L.P.

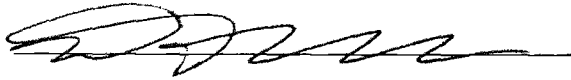
By:  \_\_\_\_\_

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

NUTMEG PARTNERS, L.P.

By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

ANGELO GORDON CENTRE STREET  
PARTNERSHIP, L.P.

By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG PRINCESS, L.P.

By: 

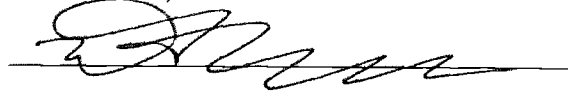
Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG SUPER FUND, L.P.

By:



Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**



BLUEMOUNTAIN GUADALUPE PEAK FUND  
L.P.

BLUEMOUNTAIN LONG/SHORT CREDIT  
MASTER FUND L.P.

BLUEMOUNTAIN CREDIT OPPORTUNITIES  
MASTER FUND I L.P.

BLUEMOUNTAIN KICKING HORSE FUND L.P.

BLUEMOUNTAIN STRATEGIC CREDIT  
MASTER FUND L.P.

BLUEMOUNTAIN DISTRESSED MASTER  
FUND L.P.

BLUEMOUNTAIN TIMBERLINE LTD.

BLUEMOUNTAIN CREDIT ALTERNATIVES  
MASTER FUND L.P.

BLUEMOUNTAIN MONTENVERS MASTER  
FUND SCA SICAV-SIF


By: 

Name: David M. O'Mara  
Assistant GC/VP

Title: \_\_\_\_\_

**REDACTED**

D. E. SHAW GALVANIC PORTFOLIOS, L.L.C.

By:  \_\_\_\_\_

Name: Shi Nisman

Title: Authorized Signatory

**REDACTED**

FRANKLIN ADVISERS, INC. on behalf of the following funds:

CALIFORNIA INTERMEDIATE TERM TAX FREE INCOME FUND

CALIFORNIA HIGH YIELD MUNICIPAL BOND FUN

TENNEESEEE MUNICIPAL BOND FUND

CALIFORNIA TAX FREE INCOME FUND

NEW YORK TAX FREE INCOME FUND

FEDERAL TAX FREE INCOME FUND

DOUBLE TAX FREE INCOME FUND

COLORADO TAX FREE INCOME FUND

GEORGIA TAX FREE INCOME FUND

PENNSYLVANIA TAX FREE INCOME FUND

HIGH YIELD TAX FREE INCOME FUND

MISSOURI TAX FREE INCOME FUND

OREGON TAX FREE INCOME FUND

VIRGINIA TAX FREE INCOME FUND

FLORIDA TAX FREE INCOME FUND

LOUISIANA TAX FREE INCOME FUND

MARYLAND TAX FREE INCOME FUND

NORTH CAROLINA TAX FREE INCOME FUND

NEW JERSEY TAX FREE INCOME FUND

FRANKLIN STRATEGIC INCOME FUND – UNITED STATES

FIST-FRANKLIN TOTAL RETURN FUND

FRANKLIN STRATEGIC INCOME FUND –  
CANADA

FTIF – FRANKLIN US TOTAL RETURN FUND

FTVIP – FRANKLIN STRATEGIC INCOME VIP  
FUND

FDP SERIES FT TOTAL RETURN FDP FUND

FTIF – FRANKLIN STRATEGIC INCOME  
FUND

FT OPPORTUNISTIC DISTRESSED FUND,  
LTD.

By: Rafael R. Costas Jr.

Name: Rafael R. Costas Jr.

Title: Vice President

**REDACTED**

GOLDMAN SACHS DYNAMIC MUNICIPAL  
INCOME FUND, A SERIES OF THE GOLDMAN  
SACHS TRUST

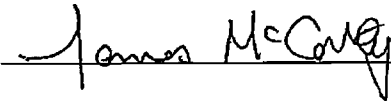
By: James McCarthy

Name: James McCarthy

Title: Assistant Secretary

**REDACTED**

GOLDMAN SACHS HIGH YIELD MUNICIPAL  
FUND, A SERIES OF THE GOLDMAN SACHS  
TRUST

By:  \_\_\_\_\_

Name: James McCarthy

Title: Assistant Secretary

REDACTED


GOLDMAN SACHS SHORT DURATION TAX-  
FREE FUND, A SERIES OF THE GOLDMAN  
SACHS TRUST

By: James McCarthy

Name: James McCarthy

**REDACTED**

Knighthood Master Fund, L.P.  
By: Knighthood Capital Management, LLC, its  
Investment Manager

By:  \_\_\_\_\_


Name: Laura Torrado  
Authorized Signatory

Title: \_\_\_\_\_

**REDACTED**



Knighthead (NY) Fund, L.P.  
By: Knighthead Capital Management, LLC, its  
Investment Advisor


By:  \_\_\_\_\_

Name: Laura Torrado  
Authorized Signatory

Title: \_\_\_\_\_

**REDACTED**

Knighthead Annuity & Life Assurance Company  
By: Knighthead Capital Management, LLC, its  
Investment Advisor

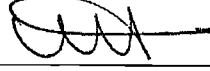
By:  \_\_\_\_\_

Name: **Laura Torrado**  
**Authorized Signatory** \_\_\_\_\_

Title: \_\_\_\_\_

**REDACTED**

LMA SPC for and on behalf of the MAP 84  
Segregated Portfolio  
By: Knighthead Capital Management, LLC, its  
Investment Advisor


By:  \_\_\_\_\_

Name: Laura Torrado  
Authorized Signatory

Title: \_\_\_\_\_

**REDACTED**

Marathon Asset Management, LP solely in its capacity as Investment Advisor to the Fund(s)/Account(s) named in Schedule A of this Agreement

By: 

Name: Louis Hanover

Title: Authorized Signatory

**Schedule A:**

Marathon Credit Dislocation Fund, LP  
Marathon Strategic Opportunities Program, LP  
Marathon Court Square, LP  
Marathon Centre Street Partnership, L.P.  
KTRS Credit Fund, LP  
Marathon Currituck Fund, LP - Series C  
Baldr Mason Fund Inc.  
Marathon Credit Opportunity Master Fund, Ltd.  
MV Credit Opportunity Fund, L.P.  
Marathon Special Opportunity Master Fund, Ltd  
Marathon Les Grandes Jorasses Master Fund SCA SICAV-SIF  
Penteli Master Fund, Ltd  
Master SIF SICAV SIF  
Marathon Liquid Credit Long Short Fund

OPPENHEIMER ROCHESTER AMT-FREE  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER AMT-FREE  
NEW YORK MUNICIPAL FUND

OPPENHEIMER ROCHESTER CALIFORNIA  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER LIMITED  
TERM CALIFORNIA MUNICIPAL FUND

OPPENHEIMER ROCHESTER LIMITED  
TERM MUNICIPAL FUND (A SERIES OF  
OPPENHEIMER MUNICIPAL FUND)

OPPENHEIMER ROCHESTER LIMITED  
TERM NEW YORK MUNICIPAL FUND (A  
SERIES OF ROCHESTER PORTFOLIO SERIES)

OPPENHEIMER ROCHESTER NEW JERSEY  
MUNICIPAL FUND (A SERIES OF  
OPPENHEIMER MULTI-STATE MUNICIPAL  
TRUST)

OPPENHEIMER ROCHESTER  
PENNSYLVANIA MUNICIPAL FUND (A  
SERIES OF OPPENHEIMER MULTI-STATE  
MUNICIPAL TRUST)

OPPENHEIMER ROCHESTER HIGH YIELD  
MUNICIPAL FUND (A SERIES OF  
OPPENHEIMER MULTI-STATE MUNICIPAL  
TRUST)

OPPENHEIMER ROCHESTER  
FUND MUNICIPALS

OPPENHEIMER ROCHESTER OHIO  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER MICHIGAN  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER  
MASSACHUSETTS MUNICIPAL FUND  
OPPENHEIMER ROCHESTER VIRGINIA  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER ARIZONA  
MUNICIPAL FUND

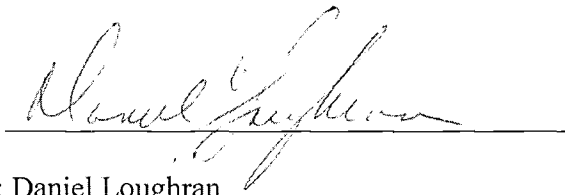
OPPENHEIMER ROCHESTER MARYLAND  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER NORTH  
CAROLINA MUNICIPAL FUND

OPPENHEIMER ROCHESTER MINNESOTA  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER INTERMEDIATE  
TERM MUNICIPAL FUND

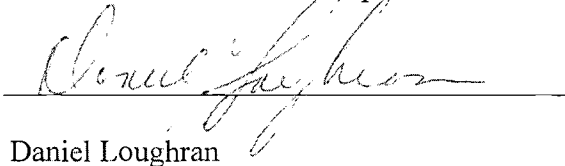
OPPENHEIMER ROCHESTER SHORT TERM  
MUNICIPAL FUND

By:   
Name: Daniel Loughran

Title: Vice President

**OPPENHEIMERFUNDS, INC.**, as investment  
adviser for the following investment accounts:

MassMutual International Holding MSC and  
MassMutual Unified Traditional Separate Account:

By:   
Name: Daniel Loughran

Title: Senior Vice President

**REDACTED**

**Annex A – Ad Hoc Group**

AG MM, L.P.

AG CAPITAL RECOVERY PARTNERS VIII, L.P.

AG ELEVEN PARTNERS, L.P.

AG SUPER FUND INTERNATIONAL PARTNERS, L.P.

NUTMEG PARTNERS, L.P.

ANGELO GORDON CENTRE STREET PARTNERSHIP, L.P.

AG PRINCESS, L.P.

AG SUPER FUND, L.P.

BLUEMOUNTAIN GUADALUPE PEAK FUND L.P.

BLUEMOUNTAIN LONG/SHORT CREDIT MASTER FUND L.P.

BLUEMOUNTAIN CREDIT OPPORTUNITIES MASTER FUND I L.P.

BLUEMOUNTAIN KICKING HORSE FUND L.P.

BLUEMOUNTAIN STRATEGIC CREDIT MASTER FUND L.P.

BLUEMOUNTAIN DISTRESSED MASTER FUND L.P.

BLUEMOUNTAIN TIMBERLINE LTD.

BLUE MOUNTAIN CREDIT ALTERNATIVES MASTER FUND L.P.

BLUEMOUNTAIN MONTENVERS MASTER FUND SCA SICAV-SIF

D.E. SHAW GALVANIC PORTFOLIOS, L.L.C.

CALIFORNIA INTERMEDIATE TERM TAX FREE INCOME FUND

CALIFORNIA HIGH YIELD MUNICIPAL BOND FUN

TENNEESEEE MUNICIPAL BOND FUND

CALIFORNIA TAX FREE INCOME FUND

NEW YORK TAX FREE INCOME FUND

FEDERAL TAX FREE INCOME FUND

DOUBLE TAX FREE INCOME FUND

COLORADO TAX FREE INCOME FUND

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HIGH YIELD TAX FREE INCOME FUND

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MARYLAND TAX FREE INCOME FUND

NORTH CAROLINA TAX FREE INCOME FUND

NEW JERSEY TAX FREE INCOME FUND

FRANKLIN STRATEGIC INCOME FUND UNITED STATES

FIST -FRANKLIN TOTAL RETURN FUND

FRANKLIN STRATEGIC INCOME FUND CANADA

FTIF- FRANKLIN US TOTAL RETURN FUND

FTVIP- FRANKLIN STRATEGIC INCOME VIP FUND

FDP SERIES FT TOTAL RETURN FDP FUND

FTIF- FRANKLIN STRATEGIC INCOME FUND

FT OPPORTUNISTIC DISTRESSED FUND, LTD.

GOLDMAN SACHS DYNAMIC MUNICIPAL INCOME FUND, A SERIES OF THE  
GOLDMAN SACHS TRUST

GOLDMAN SACHS HIGH YIELD MUNICIPAL FUND, A SERIES OF THE GOLDMAN  
SACHS TRUST



GOLDMAN SACHS SHORT DURATION TAX-FREE FUND, A SERIES OF THE GOLDMAN SACHS TRUST

KNIGHTHEAD MASTER FUND, L.P.

KNIGHTHEAD (NY) FUND, L.P.

KNIGHTHEAD ANNUITY & LIFE ASSURANCE COMPANY

LMA SPC FOR AND ON BEHALF OF THE MAP 84 SEGREGATED PORTFOLIO

MARATHON CREDIT DISLOCATION FUND, LP

MARATHON STRATEGIC OPPORTUNITIES PROGRAM, LP

MARATHON COURT SQUARE, LP

MARATHON CENTRE STREET PARTNERSHIP, L.P.

KTRS CREDIT FUND, LP

MARATHON CURRITUCK FUND, LP - SERIES C

BALDR MASON FUND INC.

MARATHON CREDIT OPPORTUNITY MASTER FUND, LTD.

MV CREDIT OPPORTUNITY FUND, L.P.

MARATHON SPECIAL OPPORTUNITY MASTER FUND, LTD

MARATHON LES GRANDES JORASSES MASTER FUND SCA SICAV-SIF

PENTELI MASTER FUND, LTD

MASTER SIF SICAV SIF

MARATHON LIQUID CREDIT LONG SHORT FUND

OPPENHEIMER ROCHESTER AMT –FREE MUNICIPAL FUND

OPPENHEIMER ROCHESTER AMT –FREE NEW YORK MUNICIPAL FUND

OPPENHEIMER ROCHESTER CALIFORNIA MUNICIPAL FUND

OPPENHEIMER ROCHESTER LIMITED TERM CALIFORNIA MUNICIPAL FUND

OPPENHEIMER ROCHESTER LIMITED TERM MUNICIPAL FUND (A SERIES OF OPPENHEIMER MUNICIPAL FUND)

OPPENHEIMER ROCHESTER LIMITED TERM NEW YORK MUNICIPAL FUND (A SERIES OF ROCHESTER PORTFOLIO SERIES)

OPPENHEIMER ROCHESTER NEW JERSEY MUNICIPAL FUND (A SERIES OF OPPENHEIMER MULTI-STATE MUNICIPAL TRUST)

OPPENHEIMER ROCHESTER PENNSYLVANIA MUNICIPAL FUND (A SERIES OF OPPENHEIMER MULTI-STATE MUNICIPAL TRUST)

OPPENHEIMER ROCHESTER HIGH YIELD MUNICIPAL FUND (A SERIES OF OPPENHEIMER MULTI-STATE MUNICIPAL TRUST)

OPPENHEIMER ROCHESTER FUND MUNICIPALS

OPPENHEIMER ROCHESTER OHIO MUNICIPAL FUND

OPPENHEIMER ROCHESTER MICHIGAN MUNICIPAL FUND

OPPENHEIMER ROCHESTER MASSACHUSETTS MUNICIPAL FUND

OPPENHEIMER ROCHESTER VIRGINIA MUNICIPAL FUND

OPPENHEIMER ROCHESTER ARIZONA MUNICIPAL FUND

OPPENHEIMER ROCHESTER MARYLAND MUNICIPAL FUND

OPPENHEIMER ROCHESTER NORTH CAROLINA MUNICIPAL FUND

OPPENHEIMER ROCHESTER MINNESOTA MUNICIPAL FUND

OPPENHEIMER ROCHESTER INTERMEDIATE TERM MUNICIPAL FUND

OPPENHEIMER ROCHESTER SHORT TERM MUNICIPAL FUND

MASSMUTUAL INTERNATIONAL HOLDING MSC

MASSMUTUAL UNIFIED TRADITIONAL SEPARATE ACCOUNT