

**AMENDMENT NO. 2 TO THE FORBEARANCE AGREEMENT**

This Amendment No. 2, dated as of April 15, 2015 (“*Amendment No. 2*”), 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 Amendment No. 1, dated March 30, 2015, and this Amendment No. 2, 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 certain covenants by PREPA in accordance with the terms of this Amendment No. 2.
- 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.
- H.** The Forbearing Creditors agree to this Amendment No. 2 in exchange for the below terms and conditions.

**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. 2 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. 2; 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. 2.

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

(a) All Parties shall have duly executed a counterpart of this Amendment No. 2;

(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. 2, 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. 2.

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 further amended to delete the word “and” immediately after clause (p) and add (immediately following clause (q) and immediately prior to Section 5), the following:

“(r) PREPA shall facilitate a meeting between key employees of Navigant and the Forbearing Creditors’ advisors by no later than May 4, 2015 to discuss (i) Navigant’s work to date, and (ii) rate structuring;

(s) PREPA shall (i) facilitate a meeting between key employees of AlixPartners, LLP (“*Alix*”) and the Ad Hoc Group’s advisors by April 24, 2015 to provide Ad Hoc Group’s advisors with PREPA’s response to the Ad Hoc Group’s revitalization plan of March 26, 2015 and (ii) invite to such meeting advisors to all other Forbearing Creditors.”

(b) Section 4 of the Agreement shall be amended to add (immediately before the semicolon at the end of clause (g)): “, provided that such fee shall not be due or payable after April 16, 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 30, 2015 (the “*Forbearance Termination Date*”), unless terminated earlier in accordance with the terms of this Agreement.”

6. Binding Effect. Notwithstanding anything to the contrary in the Agreement, the Agreement, as amended by this Amendment No. 2, shall continue to constitute a binding agreement among the Parties executing this Amendment No. 2. For the avoidance of doubt, the Parties acknowledge and agree that, any term set forth in this Agreement to the contrary notwithstanding, the terms and conditions of Amendment No. 2 are not binding upon, nor do they inure to the benefit of, any of the following: (i) any party to either (x) the original Agreement dated as of August 14, 2014 or (y) Amendment No. 1, that is not a party to this Amendment No. 2 or (ii) any person or entity not otherwise a party to this Amendment No. 2 who has entered into a valid and binding agreement prior to the Amendment No. 2 Effective Date to purchase Bonds from a Forbearing Creditor

7. Effectiveness. On or after the Amendment No. 2 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. 2. Except as amended by this Amendment No. 2, the provisions of the Agreement are and shall remain in full force and effect. Except as provided in this Amendment No. 2, nothing in this Amendment No. 2 shall constitute a waiver of the rights or obligations of any of the Parties under the Agreement.

8. Governing Law. This Amendment No. 2 shall be governed and construed and enforced in accordance with the laws of the State of New York.


9. Counterparts. This Amendment No. 2 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. 2 by signing any such counterpart. Delivery of an executed signature page of this Amendment No. 2 by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

10. Entire Agreement. This Amendment No. 2 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. 2 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

NATIONAL PUBLIC FINANCE GUARANTEE  
CORPORATION

By: Matthew GZ

Name: Matthew Cohn

Title: Director

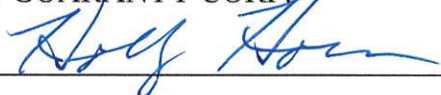
ASSURED GUARANTY MUNICIPAL CORP.

By: 

Name: HOLLY HORN

Title: CHIEF SURVEILLANCE OFFICER  
PUBLIC FINANCE

ASSURED GUARANTY CORP.

By: 

Name: HOLLY HORN  
CHIEF SURVEILLANCE OFFICER  
PUBLIC FINANCE

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

SYNCORA GUARANTEE INC,

By:



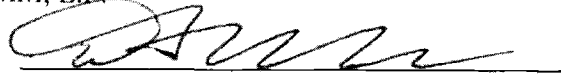
Name: Susan B. Comparato

Title: Chief Executive Officer and President



AG MM, L.P.

By:

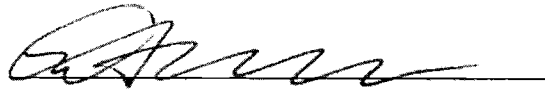
A handwritten signature in black ink, appearing to be 'D. Forest Wolfe', written over a horizontal line.

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG CAPITAL RECOVERY PARTNERS VIII,  
L.P.

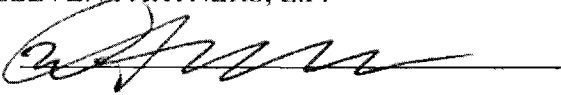
By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

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AG ELEVEN PARTNERS, L.P.

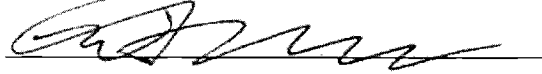
By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

**REDACTED**

AG SUPER FUND INTERNATIONAL  
PARTNERS, L.P.

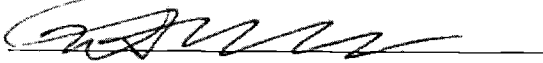
By: 

Name: D. Forest Wolfe

Title: Authorized Signatory

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NUTMEG PARTNERS, L.P.

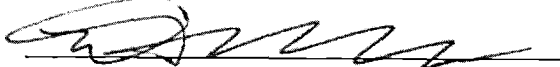
By: 

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.

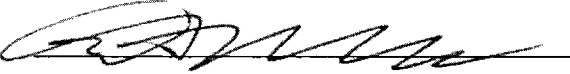
By:

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: BlueMountain Capital Management, LLC, its  
investment manager

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

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

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

**REDACTED**

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

CALIFORNIA INTERMEDIATE TERM TAX FREE INCOME FUND

CALIFORNIA HIGH YIELD MUNICIPAL BOND FUN

TENNESEE 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: Sheila Amoroso

Name: Sheila Amoroso

Title: SVP

**REDACTED**

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

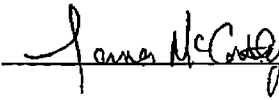
By: James McCarthy

Name: James McCarthy

Title: Assistant Treasurer

REDACTED

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

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

Name: James McCarthy

Title: Assistant Treasurer

REDACTED

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

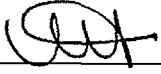
By: James McCarthy

Name: James McCarthy

Title: Assistant Treasurer

REDACTED

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


By: 

Name: Laura Tuvado

Title: Authorized Signatory

**REDACTED**

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

By: 

Name: Laura Tomasco

Title: Authorized Signatory

REDACTED



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

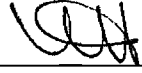
By: 

Name: Laura Torrado

Title: Authorized Signatory

**REDACTED**

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

By: 

Name: Laura Torado

Title: Authorized Signatory

REDACTED



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

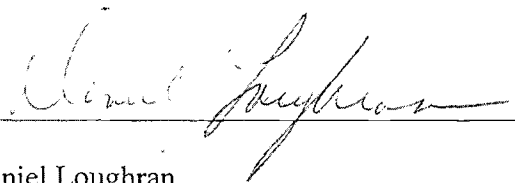
OPPENHEIMER ROCHESTER MARYLAND  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER NORTH  
CAROLINA MUNICIPAL FUND

OPPENHEIMER ROCHESTER MINNESOTA  
MUNICIPAL FUND

OPPENHEIMER ROCHESTER INTERMEDIATE  
TERM MUNICIPAL FUND

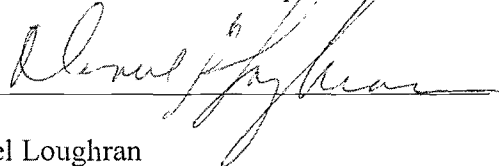
OPPENHEIMER ROCHESTER SHORT TERM  
MUNICIPAL FUND

By:   
Name: Daniel Loughran

Title: Vice President

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

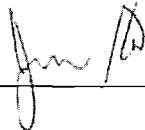
MassMutual International Holding MSC and  
MassMutual Unified Traditional Separate Account:

By:   
Name: Daniel Loughran

Title: Senior Vice President

**REDACTED**

REDWOOD MASTER FUND, LTD.  
By Redwood Capital Management, LLC, its  
Investment Manager

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

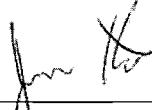
Name: Jonathan Kolatch

Title: Authorized Signatory

**REDACTED**

EXECUTION VERSION

REDWOOD DRAWDOWN MASTER FUND, L.P.  
By Redwood Capital Management, LLC, its  
Investment Manager

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

Name: Jonathan Kolatch

Title: Authorized Signatory

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.

BLUEMOUNTIAN 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

CALIFORNIA INTERMEDIATE TERM TAX FREE INCOME FUND

CALIFORNIA HIGH YIELD MUNICIPAL BOND FUN

TENNESEE 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  
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LOUISIANA TAX FREE INCOME FUND  
MARYLAND TAX FREE INCOME FUND  
NORTH CAROLINA TAX FREE INCOME FUND  
NEW JERSEY TAX FREE INCOME FUND  
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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 HIGH YIELD MUNICIPAL FUND, A SERIES OF THE GOLDMAN SACHS TRUST  
GOLDMAN SACHS DYNAMIC MUNICIPAL INCOME 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 OPPORTUNITIES 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

REDWOOD MASTER FUND, LTD.

REDWOOD DRAWDOWN MASTER FUND, L.P.