



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico

**Municipal Secondary Market Disclosure Information Cover Sheet
Municipal Securities Rulemaking Board (MSRB)
Electronic Municipal Market Access System (EMMA)**

Additional / Voluntary Event-Based Disclosure

THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name: Puerto Rico Electric Power Authority

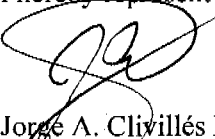
Other Obligated Person's Name (if any): _____

Six-digit CUSIP* number(s): 745268 and 74526Q

TYPE OF INFORMATION PROVIDED:

- A. Amendment to Continuing Disclosure Undertaking
- B. Change in Obligated Person
- C. Notice to Investor Pursuant to Bond Documents
- D. Communication from the Internal Revenue Service
- E. Bid for Auction Rate and Other Securities
- F. Capital or Other Financing Plan
- G. Litigation / Enforcement Action
- H. Change of Tender Agent. Remarketing Agent or Other On-going Party
- I. Derivative or Other Similar Transaction
- J. Other Event-Based Disclosures: Notice of Bond Forbearance Agreement entered on August 14, 2014

I hereby represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.


Jorge A. Clivillés Díaz
Executive Vice President and Fiscal Agent

Dated: August 14, 2014

August 14, 2014

Introduction

In connection with discussions relating to its outstanding indebtedness, Puerto Rico Electric Power Authority (“**PREPA**” or the “**Authority**”) has executed confidentiality agreements with certain insurers and beneficial owners of outstanding 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 by the Authority pursuant to that certain Trust Agreement, dated as of January 1, 1974, as amended and supplemented through August 1, 2011, between the Authority and U.S. Bank, as successor trustee (the “**Trustee**” and, with respect to said trust agreement, as amended, the “**Trust Agreement**”). Pursuant to the confidentiality agreements, the Authority agreed to disclose publicly all material confidential information concerning the Authority that it had provided to those insurers and bondholders. The information included in this notice is being furnished to comply with the Authority’s obligations under the confidentiality agreements. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Trust Agreement.

Bond Forbearance Agreement

Background

In connection with the issuance of certain of the Bonds (such Bonds, the “**Insured Bonds**”), PREPA entered into various insurance agreements with the Trustee corresponding to insurance policies issued by various insurers (such insurance policies to which any of the insurers is currently a party, and the insurance agreements related thereto, collectively, the “**Bond Insurance Agreements**”) and, together with the Trust Agreement, the Bonds, and any other agreements, supplements, amendments, or other documents executed or delivered in connection with the issuance or maintenance of the Bonds, including the Amendment (as defined below), the “**Transaction Documents**”).

Bond Forbearance

On August 14, 2014, the Authority entered into a Forbearance Agreement (the “**Bond Forbearance Agreement**”) with certain insurers of the Bonds and beneficial owners of the Bonds controlling, collectively, more than 60% of the principal amount of the Bonds then outstanding (collectively, the “**Forbearing Bondholders**”). The Bond Forbearance Agreement shall terminate on March 31, 2015, unless terminated earlier in accordance with its terms, as discussed below.

Each of the Forbearing Bondholders (i) consents to the execution and delivery by PREPA and the Trustee of the Amendment and (ii) shall take all reasonably necessary actions to effectuate the Amendment, including, without limitation, transmitting its consent to its Depository Trust Company participants and any other person whose action is required to effectuate the Amendment. Pursuant to the Bond Forbearance Agreement, the Forbearing Bondholders also

agree to forbear from exercising rights in connection with specified events that would constitute a default or could give rise to an event of default under the Transaction Documents.

The Bond Forbearance Agreement shall become effective as of the date (the “**Effective Date**”) that each of the following shall have occurred: (i) all parties shall have executed the Bond Forbearance Agreement; (ii) PREPA and the applicable lenders shall have executed the Citibank/Scotiabank Forbearance Agreements (as defined below); (iii) PREPA and the Government Development Bank for Puerto Rico (“**GDB**”) shall have executed the GDB Forbearance Agreement (as defined below); (iv) no proceeding pursuant to the Puerto Rico Public Corporation Debt Enforcement and Recovery Act, Act No. 71-2014 (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 in effect or enacted after the date of the Bond Forbearance Agreement, shall have been instituted by or on behalf of PREPA; (v) PREPA shall have provided an initial 13-week cash flow statement (the “**Initial 13-Week Cash Flow Statement**”) to the Forbearing Bondholders or their designees who have signed non-disclosure agreements; and (vi) PREPA shall have received and provided written confirmation to all Forbearing Bondholders of all approvals required to enter into and perform the Bond Forbearance Agreement.

During the period from the Effective Date of the Bond Forbearance Agreement until its termination (the “**Forbearance Period**”), the Forbearing Bondholders agree to forbear from (i) exercising, or consenting to the exercise of, any right to direct the Trustee to enforce or exercise any rights or remedies available to the Trustee under the Trust Agreement or applicable law arising solely by reason of potential defaults identified in the Bond Forbearance Agreement, and (ii) enforcing or exercising any rights or remedies available to such Forbearing Bondholders under the Transaction Documents or applicable law in respect of the potential defaults identified in the Bond Forbearance Agreement.

During the Forbearance Period, PREPA’s obligations to pay any and all principal and interest payments when due in accordance with the terms of the Transaction Documents shall continue; provided, however, that the Forbearing Bondholders agree and acknowledge that, except as otherwise required by the Amendment, during the Forbearance Period PREPA shall not be required to make transfers to the Revenue Fund or the Sinking Fund pursuant to the Trust Agreement.

PREPA’s Covenants

Under the Bond Forbearance Agreement, PREPA covenants as follows: (i) PREPA shall provide the Forbearing Bondholders and/or their advisors who have executed non-disclosure agreements information such as (a) any default, event of default or termination notice received by PREPA under the Citibank/Scotiabank Lines of Credit, the GDB Loan Agreements (as defined in the GDB Forbearance Agreement) or certain other agreements under which PREPA could owe more than \$10 million, (b) a monthly cash report showing account balances for the General Fund and the Construction Fund, (c) monthly bank statements, (d) copies of any new agreements with vendors for the delivery of fuel oil or for the purchase of power with projected annual spend exceeding \$50 million, (e) weekly updates to the Initial 13-Week Cash Flow Statement and subsequent 13-week cash flow statements (each, a “**Subsequent 13-Week Budget**”), (f) notice

of any proposal accepted by PREPA that concerns any new financing, loan, or “debtor in possession” facility or any proposed recovery program or debt enforcement plan, (g) written notice of any default under the Bond Forbearance Agreement, the Trust Agreement (other than certain potential defaults set forth in the Bond Forbearance Agreement), the Citibank/Scotiabank Forbearance Agreements, or the GDB Forbearance Agreement, and the waiver of certain of such defaults; (h) a report that displays weekly disbursements from and receipts of the Construction Fund; (ii) absent the consent of Forbearing Bondholders holding beneficially or insuring at least 85% of the principal amount of the Bonds then outstanding subject to the Bond Forbearance Agreement, PREPA shall not agree to any amendments, modifications, or supplements to the Citibank/Scotiabank Lines of Credit, the Citibank/Scotiabank Forbearance Agreements, the GDB Loan Agreements, the GDB Forbearance Agreement or any other material financial agreements to which PREPA and any of such institutions are parties that would prejudice, impair or modify in an adverse manner the rights of the Forbearing Bondholders or enhance the existing rights of the Forbearing Lenders (as defined below) or GDB, subject to certain negative notice requirements; (iii) PREPA shall use reasonable commercial efforts to respond to diligence requests by any Forbearing Bondholder who has executed a non-disclosure agreement and develop a five-year business plan, working with the Forbearing Bondholders; (iv) PREPA shall provide reasonable access to management, advisors and other consultants; (v) PREPA shall pay, within 10 days of the Amendment Effective Date (as defined below), a forbearance fee in the aggregate amount of \$1,400,000 to be allocated among the Forbearing Bondholders who make certain certifications on a pro rata basis; (vi) PREPA shall pay, in arrears and on a monthly basis after the Amendment Effective Date, an amendment fee in the aggregate amount of \$1,000,000 to be allocated among the Forbearing Bondholders on a pro rata basis; (vii) PREPA shall use commercially reasonable efforts to pursue overdue accounts; (viii) PREPA shall consult with Forbearing Bondholders regarding the retention of a chief restructuring officer and consider in good faith any recommendations with respect to the retention of the chief restructuring officer; (ix) PREPA shall keep the Forbearing Bondholders or their advisors who have executed non-disclosure agreements reasonably informed regarding PREPA’s process with respect to any new financing or any recovery program or debt enforcement plan; (x) PREPA shall attempt, in good faith, to minimize potential setoff risks in conducting its cash management practices; (xi) PREPA shall execute the Amendment and take all reasonably necessary actions to effectuate the Amendment in the event that the requisite percentage of beneficial owners or insurers of the Bonds deliver written consents to the Amendment; (xii) PREPA shall satisfy, when due, its obligations under certain insured swap agreements during the Forbearance Period; (xiii) for the period beginning on September 1, 2014, PREPA shall record revenue from municipalities and associated receivables as well as Contributions in Lieu of Taxes, on a gross basis; and (xiv) PREPA shall post certain reports of the consulting engineers and monthly statements required under the Trust Agreement on its publicly accessible website.

Termination

Stated. The Bond Forbearance Agreement shall terminate on March 31, 2015, unless terminated earlier.

Automatic. The Bond Forbearance Agreement shall terminate automatically if (i) the Amendment is not effective on or before fifteen (15) business days after the effective date of the Bond Forbearance Agreement (the effective date of the Amendment, the “**Amendment Effective**

Date"); or (ii) a suspension period notice or a 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 in effect or enacted after the date of the Bond Forbearance Agreement, is instituted by or on behalf of PREPA.

At Option of Forbearing Bondholders After January 15, 2015. After January 15, 2015, Forbearing Bondholders owning or insuring at least 25% of the principal amount of the Bonds then outstanding subject to the Bond Forbearance Agreement may elect to terminate the Forbearance Agreement.

At PREPA's Option. At any time following the Effective Date, PREPA has the right to terminate the Bond Forbearance Agreement if (i) Forbearing Bondholders breach obligations under the Bond Forbearance Agreement, subject to a five (5) business day cure period; (ii) in the exercise of its fiduciary or statutory duties, it determines to terminate the Forbearance Agreement; or (iii) Forbearing Bondholders (other than those who have already filed suits challenging the Recovery Act) file actions or pleadings challenging the Recovery Act.

At Option of Two-thirds of Forbearing Bondholders. In addition, upon the occurrence of any of the following events, Forbearing Bondholders holding beneficially or insuring at least 66 2/3% or more of the principal amount of the Bonds then outstanding subject to the Bond Forbearance Agreement, shall have the right to terminate the Bond Forbearance Agreement: (i) any default or event of default under the Trust Agreement and related documents other than those events identified in the Bond Forbearance Agreement; (ii) PREPA's breach of the Forbearance Agreement, subject to a five (5) business day cure period; (iii) PREPA's failure to provide weekly cash flows or budget, or PREPA's operating results exceed or fall short of PREPA's Initial 13-Week Cash Flow Statement or a Subsequent 13-Week Budget by certain variances (e.g., falling short by more than 10% on collections or exceeding budgeted disbursements and capital expenditures by more than 20%); (iv) PREPA makes a disbursement to GDB that is not contemplated by the Initial 13-Week Cash Flow Statement or a Subsequent 13-Week Budget; (v) a Puerto Rico law is enacted or a legal action is commenced by a party other than a holder of Bonds, either of which has a material adverse effect on PREPA or the rights or interests of the Forbearing Bondholders in their capacity as PREPA creditors; (vi) a default or event of default or termination event with respect to PREPA's obligations under the Citibank/Scotiabank Forbearance Agreements or the GDB Forbearance Agreement, which has not been waived or cured within any applicable cure period; (vii) PREPA makes a principal repayment of debt to certain other PREPA creditors or PREPA's entry into a new, non-ordinary course financing agreement; (viii) PREPA does not hire FTI Consulting, which shall consult in good faith with the Forbearing Bondholders in the course of its work, to examine, evaluate and make recommendations with respect to PREPA's billing practices, outstanding receivables owed to PREPA and Contributions in Lieu of Taxes, and develop and recommend and develop a report on "best practices" to be delivered to PREPA (with a copy to the Forbearing Bondholders or their advisors who have executed non-disclosure agreements) no later than November 15, 2014; (ix) Forbearing Bondholders owning or insuring at least 66 2/3% of the principal amount of the Bonds then outstanding subject to the Forbearing Agreement determine, no later than seven (7) business days after delivery by PREPA (which period may be extended for an additional five (5) business days by PREPA), that a Subsequent 13-Week Budget is not reasonably acceptable; (x) PREPA does not retain by September 8, 2014 a chief restructuring officer reasonably acceptable

to the Forbearing Bondholders; (xi) PREPA does not deliver a business plan to the Forbearing Bondholders or their advisors who have executed non-disclosure agreements by December 15, 2014; or (xiii) PREPA does not deliver a proposed restructuring plan that is reasonably acceptable to at least 66 2/3% of Forbearing Bondholders on or before March 2, 2015.

Withdrawal Rights

Members of an ad hoc group of holders of bonds (the “**Ad Hoc Group**”) each have the right to withdraw from the Bond Forbearance Agreement at any time upon (i) a default or event of default or termination event with respect to PREPA’s obligations under the Citibank/Scotiabank Forbearance Agreements or the GDB Forbearance Agreement, which has not been waived or cured within any applicable cure period; or (ii) upon any principal repayment of debt to certain other PREPA creditors or PREPA’s entry into a new, non-ordinary course financing agreement. An insurer also has the right to withdraw from the Bond Forbearance Agreement if PREPA does not satisfy its obligations under certain insured swap agreements during the Forbearance Period.

Once a previously Forbearing Bondholder is no longer a party to the Bond Forbearance Agreement, such previously Forbearing Bondholder may exercise any rights or remedies it may have under the Transaction Documents or applicable law, 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.

Release of Claims and Waiver of Defenses

In further consideration of the Forbearing Bondholders’ entry into and performance under the Bond Forbearance Agreement, PREPA, on behalf of itself and its successors, assigns, parents, subsidiaries, affiliates, officers, directors, employees, agents and attorneys unconditionally and irrevocably waives and releases the Forbearing Bondholders and their respective successors, assigns, parents, subsidiaries, affiliates, officers, directors, employees, attorneys 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 Bondholders or any other Releasee with respect to the Trust Agreement, the Bond Insurance Agreements, or any other Transaction 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. Nothing in the Bond Forbearance Agreement shall release any obligations of the insurers under the Bond Insurance Agreements.

Amendment of Bond Forbearance Agreement

Except as provided therein, the Bond Forbearance Agreement may not be modified, amended, supplemented or otherwise altered, and no term or condition may be waived, except in a writing signed by PREPA and Forbearing Bondholders holding beneficially or insuring at least 85% of the principal amount of the Bonds then outstanding subject to the Bond Forbearance Agreement.

In addition, absent the consent of Citibank and Scotiabank, acting as agent on behalf of the Scotiabank Lenders, the Bond Forbearance Agreement may not be amended, modified or supplemented in any way that would (i) prejudice or impair Citibank or the Scotiabank Lenders' rights under the Bond Forbearance Agreement, the Citibank/Scotiabank Lines of Credit or the Citibank/Scotiabank Forbearance Agreements; (ii) enhance the existing rights of the Forbearing Bondholders; or (iii) without limiting the preceding clauses (i) or (ii), modify the provisions of the Bond Forbearance Agreement in any way that is adverse to Citibank or the Scotiabank Lenders. Prior to entering into any amendment, modification or supplement to the Bond Forbearance Agreement, PREPA shall provide written notice of any such proposed amendment to Citibank and Scotiabank, acting as agent on behalf of the Scotiabank Lenders so that they may object if they believe a vote of Forbearing Bondholders would be required.

Citibank/Scotiabank Amendment and Forbearance Agreements

Background

The Authority and Citibank, N.A. ("**Citibank**") have entered into that certain Trade Finance Facility Agreement, dated as of July 20, 2012 (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect, the "**Citibank Agreement**"). The Authority, Scotiabank de Puerto Rico ("**Scotiabank**") and the lenders signatory thereto (together with Scotiabank, the "**Scotiabank Lenders**" and together with Citibank, the "**Forbearing Lenders**") have entered into that certain Credit Agreement dated as of May 4, 2012 (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect, the "**Scotiabank Agreement**" and together with the Citibank Agreement, the "**Citibank/Scotiabank Lines of Credit**").

Bank Forbearance

PREPA has entered into forbearance agreements, dated as of August 14, 2014, with Citibank (the "**Citibank Forbearance Agreement**") and with the Scotiabank Lenders (the "**Scotiabank Forbearance Agreement**," and together with the Citibank Forbearance Agreement, the "**Citibank/Scotiabank Forbearance Agreements**"). Like the Bond Forbearance Agreement, the Citibank/Scotiabank Forbearance Agreements shall terminate on March 31, 2015, unless terminated earlier in accordance with their respective terms, as discussed below.

The Citibank/Scotiabank Forbearance Agreements set forth certain Defaults and Events of Default (as such terms are respectively defined in the Citibank/Scotiabank Lines of Credit) that have occurred or may occur under Article VII of the Citibank/Scotiabank Lines of Credit, respectively (each individually, a "**Designated Event of Default**" and collectively, the "**Designated Events of Default**"). Citibank and the Scotiabank Lenders agree to temporarily forbear, solely by reason of the Designated Events of Default, from commencing any legal proceedings against PREPA or exercising rights of setoff to collect payment under the Citibank/Scotiabank Lines of Credit, on the terms and subject to the conditions set forth in the Citibank/Scotiabank Forbearance Agreements.

The Citibank/Scotiabank Forbearance Agreements include substantially the same conditions to effectiveness as those of the Bond Forbearance Agreement, and their effectiveness is also conditioned on the Bond Forbearance Agreement becoming effective.

Scotiabank Agreement Amendment

The Scotiabank Forbearance Agreement includes an amendment to extend the maturity date of Scotiabank Agreement until March 31, 2015 (or such earlier date on which the Scotiabank Forbearance Agreement is terminated).

Interest Payments

During the Forbearance Period, PREPA shall make all scheduled payments of cash interest under the Citibank Agreement and the Scotiabank Agreement at the rate of ABR + 4% per annum, however no default interest shall accrue and be payable.

PREPA's Covenants

The covenants in the Citibank/Scotiabank Forbearance Agreements are substantially the same as those in the Bond Forbearance Agreement, except that the information to be delivered thereunder shall be delivered to the Forbearing Lenders.

Termination Rights

Stated. The Citibank/Scotiabank Forbearance Agreements shall terminate on March 31, 2015, unless terminated earlier.

Automatic. The Citibank/Scotiabank Forbearance Agreements have the same automatic termination provisions as the Bond Forbearance Agreement.

At PREPA's Option. At any time following the Effective Date, PREPA has the right to terminate any of the Citibank/Scotiabank Forbearance Agreements if (i) Forbearing Lenders breach their respective obligations under the Citibank/Scotiabank Forbearance Agreements, subject to a five (5) business day cure period; (ii) in the exercise of its fiduciary or statutory duties, it determines to terminate any of Citibank/Scotiabank Forbearance Agreements; or (iii) any of the Forbearing Lenders files actions or pleadings challenging the Recovery Act.

At the Forbearing Lenders' Option. The termination rights for Citibank and Scotiabank, in its capacity as agent on behalf of the Scotiabank Lenders, under the Citibank/Scotiabank Forbearance Agreements are substantially the same as those given to the Forbearing Bondholders in the Bond Forbearance Agreement. In addition, after January 15, 2015, each of Citibank and Scotiabank, in its capacity as agent on behalf of the Scotiabank Lenders, may elect to terminate their respective forbearance agreements.

Release of Claims and Waiver of Defenses

PREPA provides to each of the Forbearing Lenders releases substantially similar to those provided to Forbearing Bondholders described above, except that such releases shall be in connection with the Citibank/Scotiabank Lines of Credit, as applicable.

Amendment of Citibank/Scotiabank Forbearance Agreements

Neither of the Citibank/Scotiabank Forbearance Agreements can be modified, amended, supplemented or otherwise altered, and no term or condition may be waived, except in a writing signed by PREPA and Citibank or Scotiabank, acting as agent on behalf of the Scotiabank Lenders, as applicable. In addition, absent the consent of Citibank or Scotiabank, acting as agent on behalf of the Scotiabank Lenders, and 85% of the Forbearing Bondholders, neither of the Citibank/Scotiabank Forbearance Agreements may be amended, modified or supplemented in any way that would (i) prejudice or impair Citibank's, the Scotiabank Lenders' or the Forbearing Bondholders' rights under the Citibank/Scotiabank Forbearance Agreements or the Citibank/Scotiabank Lines of Credit; (ii) enhance the existing rights of the Forbearing Lenders; or (iii) without limiting the preceding clauses (i) or (ii), modify the provisions of the Citibank/Scotiabank Forbearance Agreements in any way that is adverse to Citibank, the Scotiabank Lenders or the Forbearing Bondholders, as applicable. Prior to entering into any amendment, modification or supplement to Citibank/Scotiabank Forbearance Agreements, PREPA shall provide written notice of any such proposed amendment to the Forbearing Bondholders, so that they may object pursuant to the terms set forth in the Citibank/Scotiabank Forbearance Agreements.

GDB Forbearance Agreement

Background

PREPA and the GDB are party to several agreements: (i) that certain Collateral Swap Loan Agreement, dated as of June 21, 2013 (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect, together with any related documents, the "**Collateral Swap Loan Agreement**"); (ii) that certain Isabela Dam Loan Agreement, dated as of March 26, 2004 (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect, together with any related documents, the "**Isabela Dam Loan Agreement**" and, together with the Collateral Swap Loan Agreement, the "**GDB Loan Agreements**"); and (iii) certain depository and custodial agreements (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect, together with any related documents, the "**Custodial Agreements**"). GDB acts as fiscal agent under that certain Loan Agreement, dated as of September 6, 2012, by and between Puerto Rico Infrastructure Financing Authority, acting on behalf of the Commonwealth of Puerto Rico ("**PRIFA**"), and PREPA (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect the "**Aguirre Loan Agreement**") and under that certain Financial Agreement, dated as of September 27, 2013, by and between PRIFA and PREPA (as amended, restated, extended, supplemented or otherwise modified from time to time and currently in effect the "**San Juan Water Financial Agreement**"), and together with the Collateral Swap Loan Agreement, the Isabela Dam Loan Agreement, the Custodial Agreements, and the Aguirre Loan Agreement, the "**GDB Agreements**").

Forbearance

On August 14, 2014, the Authority entered into a Forbearance Agreement with GDB (the “**GDB Forbearance Agreement**”, and together with the Bond Forbearance Agreement and the Citibank/Scotiabank Forbearance Agreements, the “**Forbearance Agreements**”). The “Forbearance Period” under the GDB Forbearance Agreement is coterminous with the Forbearance Period in the Bond Forbearance Agreement. The GDB Forbearance Agreement shall become effective (the date of such effectiveness being defined as the “**GDB Forbearance Agreement Effective Date**”) upon the later of (i) the execution and delivery of GDB Forbearance Agreement by each of GDB and PREPA and (ii) the effectiveness of the Bond Forbearance Agreement and the Citibank/Scotiabank Forbearance Agreements.

During the Forbearance Period, GDB agrees to forbear from (i) enforcing any of its rights and remedies (including, without limitation, the commencement of legal proceedings) against PREPA or its assets in respect of GDB’s rights or claims under the GDB Agreements or GDB’s pecuniary rights or claims under any other contract or agreement between GDB and PREPA, and PREPA shall not be required to repay any amounts owing under the GDB Loan Agreements to GDB, and (ii) as of the Amendment Effective Date, the GDB irrevocably waives any exercise of a set-off or recoup right to collect payment pursuant to the terms of the GDB Agreements (the “**GDB Forbearance**”).

The GDB Forbearance is limited in nature and, except as expressly set forth therein, nothing contained in the GDB Forbearance Agreement is intended, or shall be deemed or construed to (i) constitute a waiver of any term or provision of the GDB Agreements or applicable law or (ii) establish a custom or course of dealing between PREPA, on the one hand, and GDB, on the other hand. In addition, PREPA agrees that, during the Forbearance Period, subject to the GDB Forbearance and the other terms and provisions of the GDB Forbearance Agreement, the GDB Agreements shall remain in full force and effect.

Covenants

PREPA agrees that, during the Forbearance Period, GDB shall be entitled to the benefit of all applicable covenants of PREPA to the Forbearing Lenders and the Forbearing Bondholders under the Citibank/Scotiabank Forbearance Agreements and the Bond Forbearance Agreement, respectively, other than provisions in those other Forbearance Agreements relating to the payment of certain professional fees and the Amendment (as defined below).

The GDB agrees that, during the Forbearance Period: (i) upon the request of PREPA, the Forbearing Bondholders, or the Forbearing Lenders, the GDB agrees to provide reasonable access to its management in connection with the potential restructuring and/or reorganization of PREPA in the form of regular meetings between and/or among such management and advisors to PREPA, the Forbearing Bondholders and/or their advisors, and the Forbearing Lenders and/or their advisors; and (ii) PREPA shall have no obligation to pay any principal or interest under the GDB Loan Agreements, provided that interest shall continue to accrue but shall not be payable unless and until all interest due and payable to the Forbearing Bondholders and the Forbearing Lenders shall have been paid; notwithstanding the foregoing, such principal or interest payments may be made on a current basis to the extent paid out of funds disbursed by a federal or local

governmental entity for the purpose of paying such amounts pursuant to a federal or local program or appropriation.

Termination

The termination of the Bond Forbearance Agreement shall automatically and without further action by any party thereto also cause the GDB Forbearance Agreement to terminate.

Amendment of GDB Forbearance Agreement

The GDB Forbearance Agreement may not be modified, amended, supplemented or otherwise altered, and no term or condition may be waived, except in a writing signed by PREPA and GDB. In addition, absent the consent of Citibank, Scotiabank, acting as agent on behalf of the Scotiabank Lenders, and 85% of the Forbearing Bondholders, the GDB Forbearance Agreement shall not be amended, modified or supplemented in any way that would (i) prejudice or impair Citibank's, the Scotiabank Lenders's, or the Forbearing Bondholders' rights under the Bank Forbearances or the Trust Agreement Forbearance, (ii) enhance the existing rights of GDB, or (iii) without limiting the preceding clauses (i) or (ii), modify the provisions of the GDB Forbearance Agreement in any way that is adverse to Citibank, the Scotiabank Lenders, or the Bonds. Prior to entering into any amendment, modification or supplement the GDB Forbearance Agreement, PREPA shall provide written notice of any such proposed amendment (each, a "**Proposed Forbearance Amendment**") to the Forbearing Bondholders, Citibank and Scotiabank, acting as agent on behalf of the Scotiabank Lenders. If PREPA does not receive any written objection to a Proposed Forbearance Amendment from the Forbearing Bondholders, Citibank or Scotiabank, acting as agent on behalf of the Scotiabank Lenders, within five (5) business days of providing such notice, no consent of the Forbearing Bondholders, Citibank or Scotiabank, acting as agent on behalf of the Scotiabank Lenders, shall be required pursuant to this paragraph prior to PREPA's entry into the applicable Proposed Forbearance Amendment.

Amendment to the Trust Agreement

In connection with the Forbearance Agreements, the Forbearing Bondholders consented to amend the Trust Agreement (the "**Amendment**") to, among other things, permit the Authority to use certain funds held in the Construction Fund for additional purposes in addition to those previously permitted by the Trust Agreement, subject to certain limitations.

The proposed amendments to the Trust Agreement involve the following modifications to the Trust Agreement: (i) access to the Construction Fund for payment of Current Expenses, subject to an agreed budget and certain other conditions, including a requirement that withdrawals from the Construction Fund for purposes other than Improvements must be repaid to the Construction Fund each month prior to Current Expenses to the extent that the General Fund holds more than \$50 million; (ii) direction for the Trustee to transfer five installments (approximately \$34 million each), representing, in the aggregate, the amount of interest that would be paid from the Reserve Account on or before January 1, 2015 if the use of moneys in the Reserve Account were required to satisfy PREPA's obligations on the Bonds on such date, from the Reserve Account to a special defeasance fund held by the Trustee, which transfer would be irrevocable and would be held in trust solely for the purpose of paying the interest due on the Bonds on such date; (iii) an increase

of the thresholds under the Trust Agreement required for bondholders to direct the Trustee to take actions against PREPA to the holders of a majority of the principal amount of the Bonds outstanding upon receipt of notice from a requisite threshold of Forbearing Bondholders regarding termination of the Bond Forbearance Agreement.

Other Information

In light of ongoing discussions with its creditors, PREPA did not make the monthly Bond Service Account and Redemption Account deposits described in Section 507(a) and (b) of the Trust Agreement on July 25, 2014. Pursuant to the Forbearance Agreements and the Amendment, PREPA will not be required, to the extent any requirement would otherwise apply, to make additional deposits to the Bond Service Account or the Redemption Account during the Forbearance Period.

As of August 8, 2014, the amounts held by the Trustee in the Bond Service, Redemption and Sinking Fund Reserve Account was approximately \$411,677,772, and in the Self-Insurance Fund was approximately \$96,469,041.

In addition, as of August 8, 2014, PREPA held approximately \$86,900,000 in the General Fund, approximately \$279,000,000 in the Capital Improvement Fund and \$15,900,000 in the Maintenance Reserve Fund.

I hereby represent that I am authorized by PREPA to distribute this information publicly.

Jorge A. Clivillés Díaz