

SCOTIABANK DE PUERTO RICO, as Agent and as Lender

By: _____

Name: _____

Title: _____

BANCO POPULAR DE PUERTO RICO, as Lender

By:  _____

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 J. Haggarty

Title: Executive Vice President

By:  _____

Name: Cesar Ortiz

Title: SVP & CRO

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: _____

By: _____

Name: _____

Title: _____

FIRSTBANK PUERTO RICO, as Lender

By: Laurence Abel


Name: LAURENCE ABEL

Title: EVP, General Counsel

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is made as of June 1, 2015 (the "Effective Date") by and between: (i) the Puerto Rico Electric Power Authority (the "Company") and (ii) Solus Alternative Asset Management LP (the "Creditor"). For purposes of this Agreement, the Company and the Creditor are referred to, individually, each as a "Party," and collectively, as the "Parties." As used herein, the term "Recipient" shall mean either Party to the extent it receives Confidential Information (as defined below) of the other Party.

WHEREAS, reference is made to (i) that certain lawsuit styled as *Franklin California Tax-Free Trust et al. v. The Commonwealth of Puerto Rico et al.*, Case No. 14-1518 (D. P.R.) (such lawsuit, together with any appeals thereof, the "Franklin Litigation"), (ii) that certain lawsuit styled as *BlueMountain Capital Management, LLC v. Garcia-Padilla*, in his official capacity as Governor of the Commonwealth of Puerto Rico et al, Case No. 14-1569 (D. P.R.) (such lawsuit, together with any appeals thereof, the "BlueMountain Litigation"), and collectively with the Franklin Litigation, the "Existing Litigation"), and (iii) any future or existing lawsuit against the Company, any "Commonwealth Entity," or any "enumerated entity" (as such terms are defined and understood in the Puerto Rico Public Corporation Debt Enforcement and Recovery Act (Law No. 71-2014) (the "Recovery Act")) arising out of, or related to, the Recovery Act or the same facts and circumstances alleged in the Existing Litigation (the "Future Litigation," and with the Existing Litigation, the "Litigation"), whether or not commenced by the Creditor.

 WHEREAS, the Company and certain holders of power revenue bonds issued by the Company pursuant to that certain Trust Agreement by and between the Company and State Street Bank and Trust Company, N.A. as of January 1, 1974 (as amended), entered into that certain Forbearance Agreement, dated as of August 14, 2014 (as it may be amended from time to time, the "Bonds Forbearance Agreement").

WHEREAS, the Company and the Creditor are parties to that other certain Forbearance Agreement, dated as of August 14, 2014 (as it may be amended from time to time, the "Solus Forbearance Agreement").


WHEREAS, the Parties desire to engage in discussions (including without limitation, the contents, timing, and status thereof, to the extent constituting Confidential Information, the "Discussions") and exchange information about the Company's financial condition and a potential consensual restructuring of the Company's outstanding debt obligations (collectively, the "Possible Transaction"), and each Party may provide to the other Party certain Confidential Information (such providing entity, a "Disclosing Party," and collectively, the "Disclosing Parties").

NOW THEREFORE, in consideration of the covenants and conditions set forth in this Agreement and the Recipient's receipt of Confidential Information, it is agreed as follows:

1. Confidentiality of the Confidential Information, Including But Not Limited to the Discussions. As a condition to a Recipient engaging in the Discussions regarding a Possible Transaction and receiving any Confidential Information from another Party, Recipient agrees (i)

to use all Confidential Information solely for purposes of a Possible Transaction and evaluating a Possible Transaction and to not use it, directly or indirectly, for any other purpose, it being understood that a purchase or sale of the Company's or other securities that is not in violation of the applicable Federal securities laws shall not be deemed a use of the Confidential Information in violation of the provisions of this Section 1; (ii) to not refer to or otherwise disclose, directly or indirectly, the Discussions in any Litigation or other legal proceeding; (iii) to treat as confidential any Confidential Information, including without limitation the Discussions, that is furnished by or on behalf of any Disclosing Party to such Recipient or its Representatives (as defined below) except as permitted hereunder and undertake commercially reasonable precautions to safeguard and protect the confidentiality of the Confidential Information commensurate with those such Recipient employs for the protection of corresponding sensitive information of its own; and (iv) not to disclose directly or indirectly, in whole or in part, such Confidential Information, except as is permitted hereunder.

2. Confidential Information.

 (a) The term "Confidential Information" shall mean the documents described on Exhibit A, the terms and conditions of the recovery plan proposed by the Company prior to the Disclosure Date (as defined below) and such other documents, if any, as are consented to in writing by Simpson Thacher & Bartlett LLP and the Company that the Company provides to the Creditor and is marked or otherwise clearly identified as Confidential Information. Notwithstanding the foregoing, Confidential Information also includes the nature, substance, status, and terms of any Discussions or negotiations that have taken place or are taking place between the Company and the Creditor concerning the Company and a Possible Transaction, and any information disclosed by the Company or its Representatives to the Creditor pursuant to Section 5(d). The term "Confidential Information" does not include information which: (i) is, was or becomes available to the public other than as a result of a disclosure by the Recipient or any of its Representatives in violation of this Agreement; (ii) was or is independently developed by the Recipient or its Representatives without using Confidential Information; (iii) was or becomes available to the Recipient or any of its Representatives on a non-confidential basis from a source other than the Disclosing Party and that is not subject to an agreement of confidentiality with the Disclosing Party; (iv) was already in the possession of the Recipient or its Representatives prior to the date of this Agreement on a non-confidential basis; (v) is determined by a court of competent jurisdiction not to be Confidential Information; or (vi) is agreed in writing by the Disclosing Party not to be subject to a confidentiality restriction. In addition, the term "Internal Representatives" shall mean a Party's or a Party's affiliates and its or its affiliates' managers, directors, officers, members, partners, associates, or employees; the term "External Representatives" shall mean a Party's or its affiliates' attorneys, subcontractors, consultants, accountants, auditors, advisors, agents, representatives, co-investors or potential financing sources; the term "Representatives" shall mean Internal Representatives and External Representatives, as applicable; and in regards to the Company, the term "affiliates" shall include the Commonwealth of Puerto Rico (the "Commonwealth") and the Government Development Bank for Puerto Rico.

(b) The Creditor acknowledges that the Company and certain advisors of the Creditor have executed a confidentiality agreement relating to the exchange of non-public information between such parties and that certain non-public information disclosed to such advisors may not

be disclosed to the Creditor without prior written consent of the Company subject to the terms of such confidentiality agreement.

(c) Nothing in this Agreement shall require the Creditor to receive Confidential Information.

3. Litigation and Admissibility. Recipient shall not refer to, disclose or use in the Litigation or any other legal proceedings (other than a legal proceeding to enforce this Agreement or as set forth in Section 4 of this Agreement) the Discussions or any other Confidential Information provided by a Disclosing Party or its Representatives. Furthermore, Confidential Information received by Recipient from a Disclosing Party or its Representatives shall not be admissible in the Litigation or any other legal proceeding. Recipient agrees that the Discussions and all other Confidential Information provided by a Disclosing Party or its Representatives are in the nature of settlement Discussions that shall not be admissible for any purpose, including but not limited to pursuant to Rule 408 of the Federal Rules of Evidence (or any state or Commonwealth law equivalent) except to the extent such Discussions or Confidential Information are included in the Cleansing Material (as defined below). None of the Parties shall seek to cause any other party or directly cooperate with any other party in its efforts to admit in the Litigation or any other legal proceeding the Discussions or any other Confidential Information received by Recipient from a Disclosing Party or its Representatives. Nothing contained herein shall limit (i) any rights of the Creditor or its Representatives to obtain discovery through judicial or other process of any information relating to the Company and to introduce the same as evidence in any proceeding, provided that the Recipient is not disclosing Confidential Information received under this Agreement (but excluding any Confidential Information that is obtained through a discovery process) in violation of this Agreement, (ii) the Company's right to object to such discovery or introduction or its right to seek to have any such Confidential Information introduced under seal, or (iii) the rights of any Recipient and its Representatives to object to the sealing of such information.



4. Permitted Disclosures.

Notwithstanding anything to the contrary in this Agreement, the Recipient may disclose the Discussions or any other Confidential Information: (i) with the prior written consent of the Disclosing Party; (ii) to any of the Recipient's Internal Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who are advised, prior to receipt of such information, by the Recipient of the existence of this Agreement and have agreed or are under an obligation not to disclose the Discussions or any other Confidential Information; (iii) to any of the Recipient's External Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who have executed and delivered to the Disclosing Party, prior to receipt of such information, a joinder to this Agreement, substantially in the form attached hereto as Addendum A, or a separate Confidentiality Agreement with the Company; or (iv) in the event that the Recipient or its Representatives are requested or required by law, rule, regulation or governmental, regulatory or self-regulatory body (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand, legal, regulatory or similar process) (collectively, "Law") to disclose all or any portion of the Discussions or Confidential Information; provided that the Recipient shall, with respect to a

request made under this Section 4(iv) of this Agreement, to the extent practicable and permitted by applicable Law, promptly notify the Disclosing Party of such request so that the Disclosing Party, at the Disclosing Party's sole cost and expense, may intervene to take legally available steps to resist or narrow such request, including the Disclosing Party's efforts to seek a protective order or other appropriate remedy. In addition, each Recipient and its Representatives agree that they will not oppose, and, to the extent requested by the Disclosing Party and at the Disclosing Party's sole cost and expense, will use commercially reasonable efforts to cooperate with the Disclosing Party with regard to any reasonable action by the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Discussions and any other Confidential Information or to resist or narrow the request or requirement for information. In addition, the Creditor may disclose the Discussions or any other Confidential Information it received from the Company to Assured Guaranty Corp., Assured Guaranty Municipal Corp., National Public Finance Guarantee Corporation, Scotiabank de Puerto Rico, Banco Popular de Puerto Rico, Oriental Bank, FirstBank Puerto Rico and their respective advisors which have executed a confidentiality agreement (the "Other NDA Parties") with the Company for so long as such Other NDA Parties are engaged in discussions with the Company concerning a Possible Transaction subject to such confidentiality agreement, and, with the prior written consent of the Company, to any other person that is engaged in discussions with the Company concerning a Possible Transaction subject to a confidentiality agreement concerning the Discussions or any other Confidential Information on substantially the same terms as this Agreement. Each Recipient shall be liable for the breach of this Agreement by any of its Internal Representatives to which it discloses the Discussions or any other Confidential Information. For the avoidance of doubt, the Recipient may disclose this Agreement to its Representatives for the purpose of obtaining acknowledgements as provided for in clauses (ii) and (iii) of this Section 4.


 5. Disclosure of Confidential Information.

(a) For purposes of this Agreement, "Disclosure Date" means July 1, 2015 at 10:00 a.m., which date may be extended by written consent of the Creditor and each other creditor who has executed a substantially similar agreement.

(b) On or before the Disclosure Date, the Company shall issue a press release making publicly available the Cleansing Material (as defined herein). "Cleansing Material" means, collectively, the following: (i) the fact that negotiations between the Company and third parties concerning a Possible Transaction have taken place; (ii) whether such negotiations are or are not continuing; (iii) that the Company or its Representatives has provided the Creditor with Confidential Information; (iv) if an agreement has been reached concerning the material terms of a Possible Transaction, a description of such terms; (v) if an agreement has not been reached concerning the material terms of a Transaction, the last term sheet or similar document or verbal transmission, or summary thereof (a "Proposal") by each of the Company, the Creditor, and any Representatives of the foregoing parties; (vi) whether (and to what extent) the Company will make the principal and interest payments on the power revenue bonds scheduled for July 1, 2015; and (vii) any other portions of the Confidential Information disclosed by the Company and/or its Representatives to the Creditor through the period ending on the Disclosure Date, to the extent not theretofore publicly disclosed, which would reasonably be expected to be material to an investor making an investment decision with respect to the purchase or sale of the

Company's securities. For the avoidance of any doubt, Cleansing Material need not include any information provided to Creditor's Representatives on a basis that could not be shared with Creditor, as described in Section 2(b) of this Agreement. Upon the disclosing the Cleansing Material, the Confidential Information contained therein shall be deemed public and non-confidential.

(c) In the event that the Company shall fail to disclose any portion of Cleansing Material on or before the Disclosure Date pursuant to the terms set forth herein, the Creditor may seek specific performance of the Company's obligations hereunder, or in the alternative the Creditor is authorized to disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Cleansing Material (the "Creditor Disclosure Right"); provided, however, that prior to exercising its Creditor Disclosure Right, the Recipient shall provide the Company with (i) written notice (the "Notice of Insufficiency Objection") of its breach or failure to disclose the Cleansing Material pursuant to this Section 5, which notice shall include a description of the Cleansing Material the Creditor intends to disclose and (ii) at least two (2) days' notice of its intention to make such disclosure in order to permit the Company to make such disclosures (the "Cure Time"). During the Cure Time, the Company and the Creditor and its Representatives shall attempt in good faith to resolve the Creditor's objection. If the Company does not fully disclose all such Cleansing Material by the Cure Time, the Creditor may, in its sole discretion, disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Cleansing Material at any time after the Cure Time. The Company further agrees and acknowledges that the Recipient will not violate any confidentiality terms hereof as a result of making public Confidential Information pursuant to this Section 5.



(d) Prior to a Termination Event (as defined in the Bonds Forbearance Agreement), and for so long as the Bonds Forbearance Agreement remains in effect, to the extent that the Creditor in good faith seeks Confidential Information with respect to (i) a determination whether a basis exists for delivery of a written notice pursuant to Section 5(e) of the Bonds Forbearance Agreement, or a decision of whether to provide such a written notice, or (ii) a determination whether a basis exists for a Termination Event, or a decision to exercise a Termination Event, the Company will provide such Confidential Information to Creditor to the extent reasonably necessary, after good faith consultation with its Representatives, to make such determination or decision, with the understanding that such Confidential Information shall be made public to the extent necessary under Section 5 of this Agreement.


6. No Representation or Warranty. The Recipient acknowledges and agrees that none of the Disclosing Party nor its Representatives is making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and none of the Disclosing Party nor its Representatives, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any liability to the Recipient or any other person resulting from the use of Confidential Information by the Recipient or any of its Representatives.

7. Return or Destruction of Documents. Upon the Disclosing Party's written request upon or after ten (10) business days following the Disclosure Date, each Recipient shall promptly return or, at Recipient's sole election, destroy all written Confidential Information

without retaining, in whole or in part, any copies, extracts or other reproductions (whatever the form or storage medium) of such materials, and, if requested by the Disclosing Party, the Recipient shall confirm the destruction of such materials in writing to the Disclosing Party. Notwithstanding the foregoing sentence, each Recipient may retain: (i) that portion of the Confidential Information that is memorialized in notes, analyses, compilations, studies, interpretations or other documents prepared by the Recipient or any of its advisors, (ii) copies of Confidential Information in databases or automatic electronic back-up systems in accordance with internal record-keeping policies and procedures implemented by the Recipient, (iii) Confidential Information necessary to be retained, as deemed by the Recipient, to comply with applicable legal or regulatory requirements and its internal document retention policies and which information retention shall be for recordkeeping purposes only and not for any other use, and (iv) any portions of the Confidential Information that have been disclosed to the public other than through a breach of this Agreement by such Recipient, or by a third party that, to the Recipient's actual knowledge, was not under an obligation of nondisclosure to the Disclosing Party.

8. Acknowledgements.

(a) The Parties acknowledge that the dissemination of Confidential Information may be governed by applicable securities law or regulations that prohibit the purchase and sale of securities by persons, including individuals, who possess certain material nonpublic information.



(b) Each Disclosing Party acknowledges and agrees that the Recipient may maintain or establish an information-blocking device or "Ethical Wall" between its employees who receive the Confidential Information and its other employees.


9. Legal Liability and Remedies. The Parties acknowledge that money damages may not be a sufficient remedy for any breach of this Agreement and that the Parties shall be entitled to seek, in addition to all other remedies, specific performance and injunctive or other equitable relief as a remedy for any such breach or threatened breach to the extent permitted by law. Unless otherwise expressly provided in this Agreement, in the event that such equitable relief is granted, such remedy or remedies shall not be deemed to be the exclusive remedy or remedies for breach of this Agreement but shall be in addition to all other remedies available at law or equity. The Parties agree not to resist such application for relief on the basis that the Disclosing Party or the Recipient, as applicable, has an adequate remedy at law and agrees to waive any requirement for securing or posting any bond in connection with such remedy.

Without limiting the foregoing, in the event of a public disclosure by a Party or its Representatives constituting a breach of this Agreement (such Party or its Representative, a "Breaching Party"), if the other Party (the "Notifying Party") determines reasonably and in good faith that it is necessary to correct (or render not materially misleading) the disclosures of the Breaching Party, the Notifying Party shall so notify the Breaching Party of such breach and propose a disclosure to correct (or render not materially misleading) the Breaching Party's disclosure. Upon such notification by the Notifying Party, the Breaching Party shall have no fewer than three (3) days to correct the public disclosure giving rise to the breach. If the Breaching Party has not corrected the public disclosure giving rise to the breach within such

three (3) day period, the Notifying Party shall be entitled to make such public disclosure as it determines reasonably and in good faith, following consultation with counsel, is necessary to correct (or render not materially misleading) the disclosure by the Breaching Party in breach of this Agreement. Any Party making a public disclosure pursuant to this provision shall be liable for a breach of this Agreement to the extent such public disclosure discloses any information beyond what it has determined reasonably and in good faith is necessary to correct (or render not materially misleading) any prior disclosure by the Breaching Party. No disclosure made pursuant to this paragraph shall relieve a Breaching Party of liability for its breach of this Agreement.

10. Termination. Unless the term of this Agreement is extended in writing by the Parties, this Agreement and the restrictions imposed on the Recipient and its Representatives by this Agreement shall terminate on April 30, 2016, provided that the obligations set forth by Section 3 (*Litigation and Admissibility*), Sections 7 (*Return or Destruction of Documents*), 8 (*Acknowledgments*), 9 (*Legal Liability and Remedies*), and 11-18 shall survive the termination of this Agreement.

11. Choice of Law. This Agreement (i) is for the benefit of the Parties and (ii) is governed by the laws of the Commonwealth. Any suit, action or proceeding brought in connection with this Agreement shall be brought in the Court of First Instance for the Commonwealth, San Juan, or the United States District Court for the District of Puerto Rico sitting in San Juan and the Parties hereby irrevocably consent to the exclusive jurisdiction of such courts, agree not to commence any suit, action, or proceeding relating thereto except in such courts, and waive, to the fullest extent permitted by law, the right to move to dismiss or transfer any suit, action or proceedings brought in such court on the basis of any objections as to venue or inconvenient forum or on the basis of any objection to personal jurisdiction. The Parties waive, to the fullest extent permitted by law, any right to trial by jury.

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

13. Interpretation; Headings. The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity. The headings set forth in this Agreement are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

14. Severability. If any portion of this Agreement shall be declared invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and shall remain in full force and effect.

15. Counterparts. This Agreement may be signed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

16. Amendment; Waiver. This Agreement shall not be amended, modified or waived except by a separate written agreement signed by each of the Parties. No course of dealing between the Parties shall be deemed to modify or amend any provision of this Agreement, and no delay by the Parties in the exercise (or partial exercise) of each of their rights and remedies shall operate as a waiver thereof.

17. No Implied Agreement. The Parties understand and agree that this Agreement is not intended to, and does not, constitute an agreement that either Party will consent to any Possible Transaction or take any other steps, including, without limitation, the preparation or filing of any documents with respect to any related transaction involving the Company. The Parties further understand and agree that each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other Party or any of its Representatives with regard to the Possible Transaction or any other transaction between the Parties, and to terminate Discussions and negotiations at any time.

18. Reservation of Rights. Nothing contained herein or otherwise shall operate to restrict, inhibit, limit or prohibit any Party or its designees from exercising any right or remedy available to it while the Discussions contemplated by this Agreement are pending. Nothing in this Agreement shall be construed as a waiver of a Party's right under applicable law or contract, and all such rights and remedies are hereby reserved.

[Signature pages follow]



IN WITNESS WHEREOF, each Party has executed this Agreement as of the date and year first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: Juan F. Alicea Flores

Title: Executive Director

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: Step J. Blau

Name: Stephen J. Blau

Title: Authorized Signatory

EXHIBIT A

Confidential Information

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to be 'JP' or similar initials.

ADDENDUM A

JOINDER TO CONFIDENTIALITY AGREEMENT

WHEREAS, reference is made to that certain *Confidentiality Agreement Dated June 1, 2015 By And Among The Puerto Rico Electric Power Authority and Solus Alternative Asset Management LP* (the "Agreement"). Each capitalized term used but not defined herein shall have the meaning given to it in the Agreement.

WHEREAS, the undersigned has read the Agreement in its entirety and understands all of the provisions therein.

WHEREAS, the undersigned acknowledges that it is an External Representative of Solus Alternative Asset Management LP (the "Recipient") and desires to obtain Confidential Information to advise and assist the Recipient in evaluating the Possible Transaction.

NOW, THEREFORE, the undersigned agrees that by executing this joinder, it and its employees and agents, shall become bound by all of the terms of the Agreement and agrees to keep the Confidential Information confidential in the same manner and to the same extent as the Recipient, as set forth in the Agreement.

By: _____

Date: _____

Title: _____

Company: _____



AMENDMENT NO. 1 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 1, dated as of June 30, 2015 (the "Amendment"), to the Confidentiality Agreement, dated as of June 1, 2015 (as it may be amended, supplemented or otherwise modified from time to time, including by this Amendment, the "Agreement"), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the "Company") and (ii) Solus Alternative Asset Management LP (the "Creditor").

This Amendment amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase "July 1, 2015 at 10:00 a.m." with "July 22, 2015 at 11:59 p.m."

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

Accepted and agreed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: 

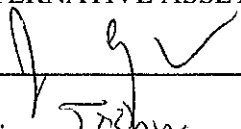
Name:

Carlos J. Castro Montalvo

Title:

Acting, Executive Director

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: 

Name: Joshua Sork

Title: Managing Director

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the “Agreement”) is made as of August 7, 2015 (the “Effective Date”) by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”). For purposes of this Agreement, the Company and the Creditor are referred to, individually, each as a “Party,” and collectively, as the “Parties.” As used herein, the term “Recipient” shall mean either Party to the extent it receives Confidential Information (as defined below) of the other Party.

WHEREAS, reference is made to (i) that certain lawsuit styled as *Franklin California Tax-Free Trust et al. v. The Commonwealth of Puerto Rico et al.*, Case No. 14-1518 (D. P.R.) (such lawsuit, together with any appeals thereof, the “Franklin Litigation”), (ii) that certain lawsuit styled as *BlueMountain Capital Management, LLC v. Garcia-Padilla*, in his official capacity as Governor of the Commonwealth of Puerto Rico et al, Case No. 14-1569 (D. P.R.) (such lawsuit, together with any appeals thereof, the “BlueMountain Litigation”, and collectively with the Franklin Litigation, the “Existing Litigation”), and (iii) any future or existing lawsuit against the Company, any “Commonwealth Entity,” or any “enumerated entity” (as such terms are defined and understood in the Puerto Rico Public Corporation Debt Enforcement and Recovery Act (Law No. 71-2014) (the “Recovery Act”)) arising out of, or related to, the Recovery Act or the same facts and circumstances alleged in the Existing Litigation (the “Future Litigation,” and with the Existing Litigation, the “Litigation”), whether or not commenced by the Creditor.

WHEREAS, the Company, certain funds advised by the Creditor and certain other holders of power revenue bonds issued by the Company pursuant to that certain Trust Agreement by and between the Company and State Street Bank and Trust Company, N.A. as of January 1, 1974 (as amended), entered into that certain Forbearance Agreement, dated as of August 14, 2014 (as it may be amended from time to time, the “Bonds Forbearance Agreement”).

WHEREAS, the Company and certain funds advised by the Creditor are also parties to that other certain Forbearance Agreement, dated as of August 14, 2014 (as it may be amended from time to time, the “Solus Forbearance Agreement”).

WHEREAS, the Parties desire to engage in discussions (including without limitation, the contents, timing, and status thereof, to the extent constituting Confidential Information, the “Discussions”) and exchange information about the Company’s financial condition and a potential consensual restructuring of the Company’s outstanding debt obligations (collectively, the “Possible Transaction”), and each Party may provide to the other Party certain Confidential Information (such providing entity, a “Disclosing Party,” and collectively, the “Disclosing Parties”).

NOW THEREFORE, in consideration of the covenants and conditions set forth in this Agreement and the Recipient’s receipt of Confidential Information, it is agreed as follows:

1. Confidentiality of the Confidential Information, Including But Not Limited to the Discussions. As a condition to a Recipient engaging in the Discussions regarding a Possible

Transaction and receiving any Confidential Information from another Party, Recipient agrees (i) to use all Confidential Information solely for purposes of a Possible Transaction and evaluating a Possible Transaction and to not use it, directly or indirectly, for any other purpose, it being understood that a purchase or sale of the Company's or other securities that is not in violation of the applicable Federal securities laws shall not be deemed a use of the Confidential Information in violation of the provisions of this Section 1; (ii) to not refer to or otherwise disclose, directly or indirectly, the Discussions in any Litigation or other legal proceeding; (iii) to treat as confidential any Confidential Information, including without limitation the Discussions, that is furnished by or on behalf of any Disclosing Party to such Recipient or its Representatives (as defined below) except as permitted hereunder and undertake commercially reasonable precautions to safeguard and protect the confidentiality of the Confidential Information commensurate with those such Recipient employs for the protection of corresponding sensitive information of its own; and (iv) not to disclose directly or indirectly, in whole or in part, such Confidential Information, except as is permitted hereunder.

2. Confidential Information.

(a) The term "Confidential Information" shall mean the documents described on Exhibit A, the terms and conditions of the recovery plan proposed by the Company prior to the Disclosure Date (as defined below) and such other documents, if any, as are consented to in writing by Simpson Thacher & Bartlett LLP and the Company that the Company provides to the Creditor and is marked or otherwise clearly identified as Confidential Information. Notwithstanding the foregoing, Confidential Information also includes the nature, substance, status, and terms of any Discussions or negotiations that have taken place or are taking place between the Company and the Creditor concerning the Company and a Possible Transaction, and any information disclosed by the Company or its Representatives to the Creditor pursuant to Section 5(d) or Section 5(e). The term "Confidential Information" does not include information which: (i) is, was or becomes available to the public other than as a result of a disclosure by the Recipient or any of its Representatives in violation of this Agreement; (ii) was or is independently developed by the Recipient or its Representatives without using Confidential Information; (iii) was or becomes available to the Recipient or any of its Representatives on a non-confidential basis from a source other than the Disclosing Party and that is not subject to an agreement of confidentiality with the Disclosing Party; (iv) was already in the possession of the Recipient or its Representatives prior to the date of this Agreement on a non-confidential basis; (v) is determined by a court of competent jurisdiction not to be Confidential Information; or (vi) is agreed in writing by the Disclosing Party not to be subject to a confidentiality restriction. In addition, the term "Internal Representatives" shall mean a Party's or a Party's affiliates and its or its affiliates' managers, directors, officers, members, partners, associates, or employees; the term "External Representatives" shall mean a Party's or its affiliates' attorneys, subcontractors, consultants, accountants, auditors, advisors, agents, representatives, co-investors or potential financing sources; the term "Representatives" shall mean Internal Representatives and External Representatives, as applicable; and in regards to the Company, the term "affiliates" shall include the Commonwealth of Puerto Rico (the "Commonwealth") and the Government Development Bank for Puerto Rico.

(b) The Creditor acknowledges that the Company and certain advisors of the Creditor have executed a confidentiality agreement relating to the exchange of non-public information

between such parties and that certain non-public information disclosed to such advisors may not be disclosed to the Creditor without prior written consent of the Company subject to the terms of such confidentiality agreement.

(c) Nothing in this Agreement shall require the Creditor to receive Confidential Information.

3. Litigation and Admissibility. Recipient shall not refer to, disclose or use in the Litigation or any other legal proceedings (other than a legal proceeding to enforce this Agreement or as set forth in Section 4 of this Agreement) the Discussions or any other Confidential Information provided by a Disclosing Party or its Representatives. Furthermore, Confidential Information received by Recipient from a Disclosing Party or its Representatives shall not be admissible in the Litigation or any other legal proceeding. Recipient agrees that the Discussions and all other Confidential Information provided by a Disclosing Party or its Representatives are in the nature of settlement Discussions that shall not be admissible for any purpose, including but not limited to pursuant to Rule 408 of the Federal Rules of Evidence (or any state or Commonwealth law equivalent) except to the extent such Discussions or Confidential Information are included in the Cleansing Material (as defined below). None of the Parties shall seek to cause any other party or directly cooperate with any other party in its efforts to admit in the Litigation or any other legal proceeding the Discussions or any other Confidential Information received by Recipient from a Disclosing Party or its Representatives. Nothing contained herein shall limit (i) any rights of the Creditor or its Representatives to obtain discovery through judicial or other process of any information relating to the Company and to introduce the same as evidence in any proceeding, provided that the Recipient is not disclosing Confidential Information received under this Agreement (but excluding any Confidential Information that is obtained through a discovery process) in violation of this Agreement, (ii) the Company's right to object to such discovery or introduction or its right to seek to have any such Confidential Information introduced under seal, or (iii) the rights of any Recipient and its Representatives to object to the sealing of such information.

4. Permitted Disclosures.

Notwithstanding anything to the contrary in this Agreement, the Recipient may disclose the Discussions or any other Confidential Information: (i) with the prior written consent of the Disclosing Party; (ii) to any of the Recipient's Internal Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who are advised, prior to receipt of such information, by the Recipient of the existence of this Agreement and have agreed or are under an obligation not to disclose the Discussions or any other Confidential Information; (iii) to any of the Recipient's External Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who have executed and delivered to the Disclosing Party, prior to receipt of such information, a joinder to this Agreement, substantially in the form attached hereto as Addendum A, or a separate Confidentiality Agreement with the Company; or (iv) in the event that the Recipient or its Representatives are requested or required by law, rule, regulation or governmental, regulatory or self-regulatory body (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand, legal, regulatory or similar process) (collectively, "Law") to disclose all or any portion of the

Discussions or Confidential Information; provided that the Recipient shall, with respect to a request made under this Section 4(iv) of this Agreement, to the extent practicable and permitted by applicable Law, promptly notify the Disclosing Party of such request so that the Disclosing Party, at the Disclosing Party's sole cost and expense, may intervene to take legally available steps to resist or narrow such request, including the Disclosing Party's efforts to seek a protective order or other appropriate remedy. In addition, each Recipient and its Representatives agree that they will not oppose, and, to the extent requested by the Disclosing Party and at the Disclosing Party's sole cost and expense, will use commercially reasonable efforts to cooperate with the Disclosing Party with regard to any reasonable action by the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Discussions and any other Confidential Information or to resist or narrow the request or requirement for information. In addition, the Creditor may disclose the Discussions or any other Confidential Information it received from the Company to the following parties and their respective advisors which have executed a confidentiality agreement with the company: Assured Guaranty Corp., Assured Guaranty Municipal Corp., National Public Finance Guarantee Corporation, Scotiabank de Puerto Rico, Banco Popular de Puerto Rico, Oriental Bank, FirstBank Puerto Rico and members of the Ad Hoc Group under the Bonds Forbearance Agreement (the "Other NDA Parties") for so long as such Other NDA Parties are engaged in discussions with the Company concerning a Possible Transaction subject to such confidentiality agreement, and, with the prior written consent of the Company, to any other person that is engaged in discussions with the Company concerning a Possible Transaction subject to a confidentiality agreement concerning the Discussions or any other Confidential Information on substantially the same terms as this Agreement. Each Recipient shall be liable for the breach of this Agreement by any of its Internal Representatives to which it discloses the Discussions or any other Confidential Information. For the avoidance of doubt, the Recipient may disclose this Agreement to its Representatives for the purpose of obtaining acknowledgements as provided for in clauses (ii) and (iii) of this Section 4.

5. Disclosure of Confidential Information.

(a) For purposes of this Agreement, "Disclosure Date" means the earlier of (i) 11:59 p.m. on September 15, 2015, and (ii) (x) 8:00 a.m. on the day following the termination or expiration of the Solus Forbearance Agreement (as such termination or expiration may be extended or amended in accordance with the terms of the Solus Forbearance Agreement, provided that the Creditor shall have agreed to any such extension or amendment), provided that any written notice (if such notice is required under the Solus Forbearance Agreement) of such termination shall have been received by the Company by no later than 7:00 p.m. on the date of such termination or (y) 5:00 p.m. on the day following such termination if such notice is received by the Company after 7:00 p.m. on the date of such termination. The Disclosure Date may be extended by written consent of the Creditor and each other creditor who has executed a substantially similar agreement.

(b) On or before the Disclosure Date, the Company shall issue a press release making publicly available the Cleansing Material (as defined herein). "Cleansing Material" means, collectively, the following: (i) the fact that negotiations between the Company and third parties concerning a Possible Transaction have taken place; (ii) whether such negotiations are or are not continuing; (iii) that the Company or its Representatives has provided the Creditor with

Confidential Information; (iv) if an agreement has been reached concerning the material terms of a Possible Transaction, a description of such terms; (v) if an agreement has not been reached concerning the material terms of a Transaction, the last term sheet or similar document or verbal transmission, or summary thereof (a "Proposal") by each of the Company, the Creditor, and any Representatives of the foregoing parties, if such Proposal contains information, not theretofore publicly disclosed, which would reasonably be expected to be material to an investor making an investment decision with respect to the purchase or sale of the Company's securities; and (vi) any other portions of the Confidential Information disclosed by the Company and/or its Representatives to the Creditor through the period ending on the Disclosure Date, to the extent not theretofore publicly disclosed, which would reasonably be expected to be material to an investor making an investment decision with respect to the purchase or sale of the Company's securities. For the avoidance of any doubt, Cleansing Material shall not include any term sheets relating to any emergency fuel line financing structures or agreements, in either case, that were delivered to the Recipient prior to the date of this Agreement, or information provided to Creditor's Representatives on a basis that could not be shared with Creditor, as described in Section 2(b) of this Agreement. Upon the disclosing the Cleansing Material, the Confidential Information contained therein shall be deemed public and non-confidential.

(c) In the event that the Company shall fail to disclose any portion of Cleansing Material on or before the Disclosure Date pursuant to the terms set forth herein, the Creditor may seek specific performance of the Company's obligations hereunder, or in the alternative the Creditor is authorized to disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Cleansing Material (the "Creditor Disclosure Right"); provided, however, that prior to exercising its Creditor Disclosure Right, the Recipient shall provide the Company with (i) written notice (the "Notice of Insufficiency Objection") of its breach or failure to disclose the Cleansing Material pursuant to this Section 5, which notice shall include a description of the Cleansing Material the Creditor intends to disclose and (ii) at least two (2) days' notice of its intention to make such disclosure in order to permit the Company to make such disclosures (the "Cure Time"). During the Cure Time, the Company and the Creditor and its Representatives shall attempt in good faith to resolve the Creditor's objection. If the Company does not fully disclose all such Cleansing Material by the Cure Time, the Creditor may, in its sole discretion, disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Cleansing Material at any time after the Cure Time. The Company further agrees and acknowledges that the Recipient will not violate any confidentiality terms hereof as a result of making public Confidential Information pursuant to this Section 5.

(d) Prior to a Termination Event (as defined in the Bonds Forbearance Agreement), and for so long as the Bonds Forbearance Agreement remains in effect, to the extent that the Creditor in good faith seeks Confidential Information with respect to (i) a determination whether a basis exists for delivery of a written notice pursuant to Section 5(e) of the Bonds Forbearance Agreement, or a decision of whether to provide such a written notice, or (ii) a determination whether a basis exists for a Termination Event (as defined in the Bonds Forbearance Agreement), or a decision to exercise a Termination Event (as defined in the Bonds Forbearance Agreement), the Company will provide such Confidential Information to Creditor to the extent reasonably necessary, after good faith consultation with its Representatives, to make such determination or decision, with the understanding that such Confidential Information shall be

made public to the extent necessary under Section 5 of this Agreement.

(e) Prior to a Termination Event (as defined in the Solus Forbearance Agreement), and for so long as the Solus Forbearance Agreement remains in effect, to the extent that the Creditor in good faith seeks Confidential Information with respect to (i) a determination whether a basis exists for delivery of a written notice pursuant to Section 5(g)(v) or 5(g)(vi) of the Solus Forbearance Agreement, or a decision of whether to provide such a written notice, or (ii) a determination whether a basis exists for a Termination Event (as defined in the Solus Forbearance Agreement), or a decision to exercise a Termination Event (as defined in the Solus Forbearance Agreement), the Company will provide such Confidential Information to Creditor to the extent reasonably necessary, after good faith consultation with its Representatives, to make such determination or decision, with the understanding that such Confidential Information shall be made public to the extent necessary under Section 5 of this Agreement.

6. No Representation or Warranty. The Recipient acknowledges and agrees that none of the Disclosing Party nor its Representatives is making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and none of the Disclosing Party nor its Representatives, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any liability to the Recipient or any other person resulting from the use of Confidential Information by the Recipient or any of its Representatives.

7. Return or Destruction of Documents. Upon the Disclosing Party's written request upon or after ten (10) business days following the Disclosure Date, each Recipient shall promptly return or, at Recipient's sole election, destroy all written Confidential Information without retaining, in whole or in part, any copies, extracts or other reproductions (whatever the form or storage medium) of such materials, and, if requested by the Disclosing Party, the Recipient shall confirm the destruction of such materials in writing to the Disclosing Party. Notwithstanding the foregoing sentence, each Recipient may retain: (i) that portion of the Confidential Information that is memorialized in notes, analyses, compilations, studies, interpretations or other documents prepared by the Recipient or any of its advisors, (ii) copies of Confidential Information in databases or automatic electronic back-up systems in accordance with internal record-keeping policies and procedures implemented by the Recipient, (iii) Confidential Information necessary to be retained, as deemed by the Recipient, to comply with applicable legal or regulatory requirements and its internal document retention policies and which information retention shall be for recordkeeping purposes only and not for any other use, and (iv) any portions of the Confidential Information that have been disclosed to the public other than through a breach of this Agreement by such Recipient, or by a third party that, to the Recipient's actual knowledge, was not under an obligation of nondisclosure to the Disclosing Party.

8. Acknowledgements.

(a) The Parties acknowledge that the dissemination of Confidential Information may be governed by applicable securities law or regulations that prohibit the purchase and sale of securities by persons, including individuals, who possess certain material nonpublic information.

(b) Each Disclosing Party acknowledges and agrees that the Recipient may maintain or establish an information-blocking device or “Ethical Wall” between its employees who receive the Confidential Information and its other employees.

9. Legal Liability and Remedies. The Parties acknowledge that money damages may not be a sufficient remedy for any breach of this Agreement and that the Parties shall be entitled to seek, in addition to all other remedies, specific performance and injunctive or other equitable relief as a remedy for any such breach or threatened breach to the extent permitted by law. Unless otherwise expressly provided in this Agreement, in the event that such equitable relief is granted, such remedy or remedies shall not be deemed to be the exclusive remedy or remedies for breach of this Agreement but shall be in addition to all other remedies available at law or equity. The Parties agree not to resist such application for relief on the basis that the Disclosing Party or the Recipient, as applicable, has an adequate remedy at law and agrees to waive any requirement for securing or posting any bond in connection with such remedy.

Without limiting the foregoing, in the event of a public disclosure by a Party or its Representatives constituting a breach of this Agreement (such Party or its Representative, a “Breaching Party”), if the other Party (the “Notifying Party”) determines reasonably and in good faith that it is necessary to correct (or render not materially misleading) the disclosures of the Breaching Party, the Notifying Party shall so notify the Breaching Party of such breach and propose a disclosure to correct (or render not materially misleading) the Breaching Party’s disclosure. Upon such notification by the Notifying Party, the Breaching Party shall have no fewer than three (3) days to correct the public disclosure giving rise to the breach. If the Breaching Party has not corrected the public disclosure giving rise to the breach within such three (3) day period, the Notifying Party shall be entitled to make such public disclosure as it determines reasonably and in good faith, following consultation with counsel, is necessary to correct (or render not materially misleading) the disclosure by the Breaching Party in breach of this Agreement. Any Party making a public disclosure pursuant to this provision shall be liable for a breach of this Agreement to the extent such public disclosure discloses any information beyond what it has determined reasonably and in good faith is necessary to correct (or render not materially misleading) any prior disclosure by the Breaching Party. No disclosure made pursuant to this paragraph shall relieve a Breaching Party of liability for its breach of this Agreement.

10. Termination. Unless the term of this Agreement is extended in writing by the Parties, this Agreement and the restrictions imposed on the Recipient and its Representatives by this Agreement shall terminate on April 30, 2016, provided that the obligations set forth by Section 3 (*Litigation and Admissibility*), Sections 7 (*Return or Destruction of Documents*), 8 (*Acknowledgments*), 9 (*Legal Liability and Remedies*), and 11-18 shall survive the termination of this Agreement.

11. Choice of Law. This Agreement (i) is for the benefit of the Parties and (ii) is governed by the laws of the Commonwealth. Any suit, action or proceeding brought in connection with this Agreement shall be brought in the Court of First Instance for the Commonwealth, San Juan, or the United States District Court for the District of Puerto Rico sitting in San Juan and the Parties hereby irrevocably consent to the exclusive jurisdiction of such courts, agree not to commence any suit, action, or proceeding relating thereto except in such

courts, and waive, to the fullest extent permitted by law, the right to move to dismiss or transfer any suit, action or proceedings brought in such court on the basis of any objections as to venue or inconvenient forum or on the basis of any objection to personal jurisdiction. The Parties waive, to the fullest extent permitted by law, any right to trial by jury.

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

13. Interpretation; Headings. The term “person” as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity. The headings set forth in this Agreement are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

14. Severability. If any portion of this Agreement shall be declared invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and shall remain in full force and effect.

15. Counterparts. This Agreement may be signed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

16. Amendment; Waiver. This Agreement shall not be amended, modified or waived except by a separate written agreement signed by each of the Parties. No course of dealing between the Parties shall be deemed to modify or amend any provision of this Agreement, and no delay by the Parties in the exercise (or partial exercise) of each of their rights and remedies shall operate as a waiver thereof.

17. No Implied Agreement. The Parties understand and agree that this Agreement is not intended to, and does not, constitute an agreement that either Party will consent to any Possible Transaction or take any other steps, including, without limitation, the preparation or filing of any documents with respect to any related transaction involving the Company. The Parties further understand and agree that each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other Party or any of its Representatives with regard to the Possible Transaction or any other transaction between the Parties, and to terminate Discussions and negotiations at any time.

18. Reservation of Rights. Nothing contained herein or otherwise shall operate to restrict, inhibit, limit or prohibit any Party or its designees from exercising any right or remedy available to it while the Discussions contemplated by this Agreement are pending. Nothing in this Agreement shall be construed as a waiver of a Party’s right under applicable law or contract, and all such rights and remedies are hereby reserved.

[Signature pages follow]

IN WITNESS WHEREOF, each Party has executed this Agreement as of the date and year first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: 

Name: JAVIER A. QUINTANA MENDEZ

Title: EXECUTIVE DIRECTOR

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

SOLUS

PFB 001534

IN WITNESS WHEREOF, each Party has executed this Agreement as of the date and year first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____ 

Name: Joshua Sock

Title: Authorized Signatory

EXHIBIT A

Confidential Information

ADDENDUM A

JOINDER TO CONFIDENTIALITY AGREEMENT

WHEREAS, reference is made to that certain *Confidentiality Agreement Dated August 7, 2015 By And Among The Puerto Rico Electric Power Authority and Solus Alternative Asset Management LP* (the "Agreement"). Each capitalized term used but not defined herein shall have the meaning given to it in the Agreement.

WHEREAS, the undersigned has read the Agreement in its entirety and understands all of the provisions therein.

WHEREAS, the undersigned acknowledges that it is an External Representative of Solus Alternative Asset Management LP (the "Recipient") and desires to obtain Confidential Information to advise and assist the Recipient in evaluating the Possible Transaction.

NOW, THEREFORE, the undersigned agrees that by executing this joinder, it and its employees and agents, shall become bound by all of the terms of the Agreement and agrees to keep the Confidential Information confidential in the same manner and to the same extent as the Recipient, as set forth in the Agreement.

By: _____

Date: _____

Title: _____

Company: _____

AMENDMENT NO. 1 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 1, dated as of September 14, 2015 (the “Amendment No. 1”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 1 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “11:59 p.m. on September 15, 2015” with “11:59 p.m. on October 1, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[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:  _____

Name: Javier A. Quintana Méndez

Title: Executive Director

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

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

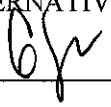
PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____ 

Name: Gordon J. Yeager

Executive Vice President

Title: _____

AMENDMENT NO. 2 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 2, dated as of September 30, 2015 (the “Amendment No. 2”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 2 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “11:59 p.m. on October 1, 2015” with “11:59 p.m. on October 15, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[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: Javier A. Quintana Méndez

Title: Executive Director

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

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: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C.J. Lawtree

Name: C.J. Lawtree

Title: Authorized Signatory

AMENDMENT NO. 3 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 3, dated as of October 15, 2015 (the “Amendment No. 3”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 3 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “11:59 p.m. on October 15, 2015” with “8:00 p.m. on October 22, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 3 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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, this Amendment No. 3 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C. J. Lanktree

Name: _____

Title: _____

AMENDMENT NO. 4 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 4, dated as of October 22, 2015 (the “Amendment No. 4”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 4 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “8:00 p.m. on October 22, 2015” with “8:00 p.m. on October 30, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 4 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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, this Amendment No. 4 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C. J. Linktree

Name: _____

Title: _____

AMENDMENT NO. 5 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 5, dated as of October 30, 2015 (the “Amendment No. 5”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 5 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “8:00 p.m. on October 30, 2015” with “8:00 p.m. on November 3, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 5 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By:  _____

Name: Javier Antonio Quintana Méndez

Title: Executive Director

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, this Amendment No. 5 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C.J. Lunktree

Name: Charles J. Lunktree

Title: Partner

AMENDMENT NO. 6 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 6, dated as of November 3, 2015 (the “Amendment No. 6”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 6 amends the Agreement as follows:

1. Section 5(a) is amended to replace the phrase “8:00 p.m. on November 3, 2015” with “8:00 p.m. on November 5, 2015”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 6 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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

SOLUS NDA

IN WITNESS WHEREOF, this Amendment No. 6 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By:

Name:

Title:

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By:

Name: Christopher Reillo

Title: CIO

AMENDMENT NO. 7 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 7, dated as of December 7, 2015 (the “Amendment No. 7”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 7 amends the Agreement as follows:

1. The second recital is hereby amended and restated in its entirety as follows:

“WHEREAS, the Company, the Creditor and certain other parties have entered into that certain Restructuring Support Agreement, dated as of November 5, 2015 (as amended, restated, extended, supplemented or otherwise modified and in effect from time to time, the “RSA”).”

2. The third recital is hereby deleted in its entirety.

3. Section 4 of the Agreement is hereby amended to replace the phrase “Bonds Forbearance Agreement” with “RSA.”

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

“For purposes of this Agreement, “Disclosure Date” means the earlier of (i) 8:00 p.m. on December 11, 2015, and (ii) (x) 8:00 a.m. on the day following the termination or expiration of the RSA as to the Creditor (as such termination or expiration may be extended or amended in accordance with the terms of the RSA, provided that the Creditor shall have agreed to any such extension or amendment), provided that any written notice (if such notice is required under the RSA) of such termination shall have been received by the Company by no later than 7:00 p.m. on the date of such termination or (y) 5:00 p.m. on the day following such termination if such notice is received by the Company after 7:00 p.m. on the date of such termination; provided, however, that the Company may publicly disclose any of its proposals relating to the Possible Transaction at any time before December 11, 2015. The Disclosure Date may be extended by written consent of the Creditor and each other creditor who has executed a substantially similar agreement.”

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

“Prior to a Termination Event (as defined in the RSA), and for so long as the RSA remains in effect, to the extent that the Creditor in good faith seeks Confidential Information with respect to (i) a determination whether a basis exists for delivery of a written notice pursuant to Section 10 of the RSA, or a decision whether to provide such a written notice, or (ii) a determination whether a basis exists for a Termination Event (as defined in the RSA), or a decision to exercise a Termination Event (as defined in the RSA), the Company will provide such Confidential Information to Creditor to the extent reasonably necessary, after good faith consultation with its Representatives, to make such determination or decision, with the understanding that such Confidential Information shall be made public to the extent required under Section 5 of this Agreement.”

6. Section 5(e) is hereby deleted in its entirety.

7. Section 10 of the Agreement is hereby amended to replace the phrase “on April 30, 2016” with “on December 31, 2016.”

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment No. 7 may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 7 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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, this Amendment No. 7 has been duly executed as of the date first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: _____

Name: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C.J. Lunktree

Name: Charles J. Lunktree

Title: Partner

AMENDMENT NO. 8 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 8, dated as of December 11, 2015 (the “Amendment No. 8”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 8 amends the Agreement as follows:

1. Section 5(a) is hereby amended to replace any references to “December 11, 2015” with “December 17, 2015”.

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment No. 8 may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Amendment No. 8 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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Joshua Sack

Title: _____

Authorized Signatory

AMENDMENT NO. 9 TO CONFIDENTIALITY AGREEMENT

This Amendment No. 9, dated as of December 17, 2015 (the “Amendment No. 9”), to the Confidentiality Agreement, dated as of August 7, 2015 (as it may be amended, supplemented or otherwise modified from time to time, the “Agreement”), is entered into by and between: (i) the Puerto Rico Electric Power Authority (the “Company”) and (ii) Solus Alternative Asset Management LP, on behalf of certain funds advised by it (the “Creditor”).

This Amendment No. 9 amends the Agreement as follows:

1. Section 5(a) is hereby amended to replace any references to “December 17, 2015” with “December 22, 2015”.

Except as amended hereby, the Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. This Amendment No. 9 may be executed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature pages follow]

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

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: _____

Name: _____

Title: _____

Solus

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: _____

Title: _____

SOLUS ALTERNATIVE ASSET MANAGEMENT LP

By: C.J. Lanktree

Name: C.J. Lanktree

Title: Partner

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is made by and among: (i) the Puerto Rico Electric Power Authority (the "Company" or "PREPA") and (ii) Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (collectively, the "Creditor"), as of the date appearing on the Creditor's signature page hereto (such date, the "Effective Date"). For purposes of this Agreement, the Company and the Creditor are referred to, individually, as a "Party," and collectively, as the "Parties." As used herein, the "Recipient" shall mean any Party to the extent it receives Confidential Information (as defined below) of another Party.

WHEREAS, the Parties desire to exchange information about the Company's financial condition and a potential consensual restructuring of the Company's outstanding debt obligations (collectively, the "Possible Transaction"), and each Party may provide to the other Party certain Confidential Information (such providing entity, a "Disclosing Party," and collectively, the "Disclosing Parties").

WHEREAS, the purposes of this Agreement are to (i) prevent any Party from using Confidential Information for any purpose other than a Possible Transaction or from referring to or disclosing the substance or nature of Confidential Information, directly or indirectly, in any legal proceeding, and (ii) maintain the confidentiality of the substance or nature of Confidential Information, so that by engaging in any discussions and the exchange of Confidential Information, no Party hereto is or will be deemed to have compromised any substantive or procedural rights and that all such rights are fully preserved, except as expressly provided otherwise herein.

NOW THEREFORE, in consideration of the covenants and conditions set forth in this Agreement and the Recipient's receipt of Confidential Information, it is agreed as follows:

1. Confidentiality. As a condition to a Recipient receiving any Confidential Information (as defined below), the Recipient agrees (i) to use the Confidential Information it has received from a Disclosing Party solely for the purpose of evaluating, negotiating, and/or participating in discussions relating to a Possible Transaction and to not use it, directly or indirectly, for any other purpose, including but not limited to in any legal proceeding (except as otherwise permitted herein); (ii) to not refer to or otherwise disclose, directly or indirectly, Confidential Information in any legal proceeding (except as otherwise permitted herein); (iii) to treat as confidential any Confidential Information, including without limitation discussions that are Confidential Information, that is furnished by or on behalf of any Disclosing Party to such Recipient or its Representatives (as defined below) except as permitted hereunder and undertake commercially reasonable precautions to safeguard and protect the confidentiality of the Confidential Information commensurate with those such Recipient employs for the protection of corresponding sensitive information of its own; and (iv) not to disclose, in any manner whatsoever, directly or indirectly, in whole or in part, such Confidential Information, except as is permitted hereunder.

2. Confidential Information.

AD (a) The term "Confidential Information" shall mean all discussions, documents, information, and other material about the Disclosing Party, present or future laws, regulations and proceedings applicable to any Disclosing Party or a Possible Transaction that (a) is designated as "Confidential Information" by the Disclosing Party, (b) is furnished orally or in writing hereunder by a Disclosing Party to a Recipient or its Representatives (as defined below) on or after the date of this Agreement, and (c) that is non-public, confidential, or proprietary in nature, including, without limitation, non-public, confidential, or proprietary information related to accounting, financial matters, tax, legal and operational information whether, oral, written or electronic communications, and including confidential memoranda, whether concerning the Company or the Creditor, and presentations prepared by the Disclosing Party or any of such Disclosing Party's affiliates and its or its affiliates' managers, directors, officers, members, partners, associates, or employees (collectively, and as the same may apply to a Disclosing Party or any Recipient, the "Internal Representatives") or such Disclosing Party's or its affiliates' attorneys, subcontractors, consultants, accountants, auditors, advisors, agents, representatives, or potential financing sources (collectively, and as the same may apply to a Disclosing Party or any Recipient, to the extent such party has reviewed Confidential Information and is bound by obligations of confidentiality to the Recipient sufficient to ensure compliance with this Agreement, the "External Representatives," and, together with the Internal Representatives, the "Representatives"); provided, that no such aforementioned person shall be deemed to be a Representative of a Recipient until such Recipient actually shares Confidential Information with such person or such person executes a joinder to this Agreement, substantially in the form attached hereto as Addendum A (a "Joinder"), in each case, in accordance with this Agreement. For purposes of this Agreement, in regards to the Company, the term "affiliates" shall not include the Government Development Bank for Puerto Rico, the Commonwealth of Puerto Rico, or any of its instrumentalities; provided that the Government Development Bank of Puerto Rico may be an External Representative of the Company solely in its capacity as an advisor. For the avoidance of doubt, Confidential Information also includes the terms of this Agreement, any discussions, the Possible Transaction itself, and the nature, substance, status, and terms of any discussions or negotiations that have taken place or are taking place between the Company and the Creditor concerning the Company the Creditor, the terms of the Possible Transaction or any present or future laws, regulations and proceedings applicable to the Company or the Creditor. In regards to the Creditor, the term "affiliates" shall mean only those affiliates who actually receive the Confidential Information from the Creditor. For the avoidance of doubt, Confidential Information does not include the existence of this Agreement or the existence of negotiations concerning a Possible Transaction. The term "Confidential Information" does not include information which: (i) is, was or becomes publicly available other than as a result of a disclosure by a Recipient or any of its Representatives in violation of this Agreement; (ii) was or is independently developed by or known to a Recipient or its Representatives without using Confidential Information; (iii) is determined by a court of competent jurisdiction not to be Confidential Information; (iv) is agreed in writing by the Disclosing Party not to be subject to a confidentiality restriction; or (v) is or was in the possession of a Recipient prior to the execution of this Agreement other than through disclosure by a third party that, to the Recipient's knowledge, was under an obligation of nondisclosure to the Company.


(b) The Creditor acknowledges that the Company and Debevoise & Plimpton LLP ("Debevoise"), as counsel to the Creditor, has executed a confidentiality agreement relating to the exchange of non-public information between such parties and that certain non-public

information disclosed to such advisors may not be disclosed to Creditor without prior written consent of the Company.

910
3. Litigation and Admissibility. Recipient shall not refer to, disclose or use, directly or indirectly, in any legal proceedings (other than a legal proceeding to enforce this Agreement) any Confidential Information provided by a Disclosing Party or its Representatives. Furthermore, Confidential Information received by Recipient from a Disclosing Party or its Representatives shall not be admissible in any legal proceeding (other than a legal proceeding to enforce this Agreement), unless it is no longer Confidential Information or has been obtained through other means in accordance with this Agreement. Recipient agrees that all Confidential Information provided by a Disclosing Party or its Representatives are in the nature of settlement discussions that shall not be admissible for any purpose, including but not limited to pursuant to Rule 408 of the Federal Rules of Evidence (or any state or Commonwealth law equivalent). None of the Parties shall seek to cause any other party or directly cooperate with any other party in its efforts to admit in any legal proceeding any Confidential Information received by Recipient from a Disclosing Party or its Representatives (but excluding any Confidential Information that is obtained through a discovery process or is no longer Confidential Information). Nothing contained herein shall limit (i) any rights of the Company, the Creditor or any of their counsel or advisors to obtain discovery through judicial or other process of any information relating to the Disclosing Party (including without limitation, Confidential Information theretofore delivered to counsel or advisors to the Creditor) and to introduce the same as evidence in any proceeding, provided that such Recipient is not disclosing Confidential Information received under this Agreement (but excluding any Confidential Information that is obtained through a discovery process or is no longer Confidential Information) in violation of this Agreement, (ii) the Company, the Creditor, or their respective counsel's or advisor's right to object to such discovery or introduction or its right to seek to have any Confidential Information introduced under seal, or (iii) the rights of the Company, the Creditor, or their respective counsel or advisors to object to the sealing such information. Nothing contained herein shall (i) prevent the filing of any legal proceeding, or (ii) prevent the Creditor, or its counsel or advisors from representing any person in any legal proceeding; provided, in each case, that the obligations set forth in Sections 1, 2, 3 and 4, of this Agreement shall apply in such legal proceeding.

4. Permitted Disclosures.

(a) Notwithstanding anything to the contrary in this Agreement, any Recipient may disclose Confidential Information: (i) with the prior written consent of the Disclosing Party; (ii) to any of the Recipient's Internal Representatives who have a need to know of Confidential Information for the purpose of evaluating, negotiating, and/or participating in discussions relating to the Possible Transaction who are advised, prior to receipt of such Confidential Information, by the Recipient of the existence of this Agreement and have agreed or are under an obligation not to disclose Confidential Information; provided, notwithstanding the foregoing, that no Internal Representative shall be required to deliver any written agreement of any kind to any Disclosing Party or be personally liable to any Party by virtue of this Agreement; (iii) to any of the Recipient's External Representatives who have a need to know of any Confidential Information for the purpose of evaluating, negotiating, and/or participating in discussions relating to the Possible Transaction who have executed and delivered to the Disclosing Party, prior to receipt of such Confidential Information, a joinder to this Agreement, substantially in the




form attached hereto as Addendum A; or (iv) in the event that the Recipient or its Representatives are requested or required by law, rule, regulation, legal process or governmental, regulatory or self-regulatory body (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand, legal, regulatory or similar process) (collectively, "Law") to disclose all or any portion of Confidential Information; provided that each Recipient (a) shall be liable for the breach of this Agreement by any Representative to which it discloses Confidential Information; (b) shall, with respect to a request made under this Section 4 (iv) of this Agreement, to the extent practicable and permitted by applicable Law, and other than in connection with a routine audit or examination by, or a blanket document request from, a regulatory or governmental entity that does not reference the Disclosing Party or this Agreement, promptly notify the Disclosing Party of such request so that the Disclosing Party, at the Disclosing Party's sole cost and expense, may intervene to take legally available steps to resist or narrow such request, including the Disclosing Party's efforts to seek a protective order or other appropriate remedy. In addition, each Recipient and its Representatives agree that they will not oppose, and, to the extent requested by the Disclosing Party and at the Disclosing Party's sole cost and expense, will use commercially reasonable efforts to cooperate with the Disclosing Party with regard to any reasonable action by the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to any Confidential Information or to resist or narrow the request or requirement for information. If, absent the entry of such a protective order or other remedy, a Recipient or any of its Representatives, is requested by governmental or regulatory body or required by Law to disclose Confidential Information, the Recipient or its Representative may disclose that portion of the Confidential Information that the Recipient, or any of its Representatives, is advised by counsel (which shall include internal in-house counsel) is requested by governmental or regulatory body or required by Law without any liability hereunder; provided that such required disclosure will not release the Recipient of any claims for prior breaches of this Agreement with respect to the Confidential Information that is subject to such required disclosure; provided, further, that neither the Recipient nor its Representatives shall be required to expend funds in connection therewith. For the avoidance of doubt, a Recipient may disclose this Agreement to its Representatives for the purpose of obtaining acknowledgements as provided for in clauses (ii) and (iii) of this Section 4. In addition, the Creditor and its Representatives may disclose Confidential Information it received from the Company or its Representatives, with the prior written consent of the Company, to any person that is engaged in discussions with the Company concerning a Possible Transaction subject to a confidentiality agreement concerning any Confidential Information on substantially the same terms as this Agreement. For the avoidance of doubt, the Creditor and Debevoise may disclose Confidential Information they received from the Company or its Representatives to each other (in accordance with the terms of this Agreement, including without limitation Section 2(b)) without any requirement that Debevoise execute a Joinder hereto, provided that Debevoise is under a separate confidentiality agreement with the Company.

(b) Prior to providing any Confidential Information to the Creditor, the Company will inform Debevoise of the Confidential Information it intends to provide. Unless the Creditor agrees in writing to accept such Confidential Information, the Company will not make such Confidential Information available to the Creditor.

5. Disclosure of Confidential Information.

(a) For purposes of this Agreement, "Disclosure Date" means the earliest of (a) the effective date of any agreement between the Creditor and the Company under which the Creditor forbears from exercising rights (a "Forbearance Agreement"), (b) 5:30 p.m. prevailing Eastern time on August 18, 2014, and (c) the date of any petition, filing, or other request seeking to commence any case, proceeding, or other action under any bankruptcy, insolvency, reorganization, liquidation, winding up, arrangement, composition, adjustment, custodianship, receivership, or other similar federal, state, or non-U.S. law or rule, including, without limitation, the Recovery Act, in respect of the Company (a "Debt Proceeding"); provided that such date may be extended by written consent of the Creditor, as determined in its sole discretion.

(b) On or before the Disclosure Date, the Company shall issue a press release making publicly available the portions of the Confidential Information disclosed by the Company to the Creditor through the period ending on the Disclosure Date (such information, the "Disclosed Information"), to the extent not theretofore publicly disclosed, which would reasonably be expected to be material to an investor making an investment decision with respect to the purchase or sale of the Company's securities, or Creditor's securities, or securities insured by Creditor (such information, "Investor Confidential Information").

 (c) In the event that the Company shall fail to disclose the Disclosed Information on or before the Disclosure Date pursuant to the terms set forth herein, the Creditor may seek specific performance of the Company's obligations hereunder, or in the alternative the Creditor is authorized to disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Disclosed Information, without any requirement for first seeking specific performance (the "Creditor Disclosure Right"); provided, however, that prior to exercising its Creditor Disclosure Right, the Creditor shall provide the Company with written notice (the "Notice of Insufficiency Objection") of its breach or failure to disclose the Disclosure Information pursuant to this Section 5, which notice shall include a description of the Disclosure Information the Creditor intends to disclose and at least one (1) business day notice of its intention to make such disclosure in order to permit the Company to make such disclosures (the "Cure Time"). During the Cure Time, the Company and the Creditor and their Representatives shall attempt in good faith to resolve any objection of the Creditor. If the Company does not fully disclose all such Disclosure Information by the Cure Time, the Creditor may, in its sole discretion, disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Disclosed Information at any time after the Cure Time. The Company further agrees and acknowledges that such Creditor will not violate any confidentiality terms hereof as a result of making public Confidential Information pursuant to this Section 5.

(d) In the event that the Company provides Confidential Information to the Creditor in violation of Section 4(b), the Company shall issue a press release making publicly available any Investor Confidential Information disclosed to the Creditor that the Creditor did not request in writing within two (2) calendar days of such disclosure. If the Company fails to issue the press release in accordance with the preceding sentence, the Creditor may exercise a Creditor Disclosure Right as if the Company failed to disclose Investor Confidential Information by the Disclosure Date in accordance with the preceding paragraph.

6. No Representation or Warranty. Although each Disclosing Party will endeavor to provide Confidential Information known to it which it believes to be relevant for the purpose of each Recipients' evaluation and consideration of a Possible Transaction, the Parties acknowledge and agree that none of the Parties nor their Representatives is making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and none of the Parties nor their Representatives, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any liability to any Recipient or any other person resulting from the use of Confidential Information by the Recipients or any of their Representatives, in each case, other than as may be set forth in a written definitive agreement related to the Possible Transaction.

7. Return or Destruction of Documents. Upon the Disclosing Party's written request, each Recipient shall promptly, at the Recipient's option, deliver to the Disclosing Party or destroy (to the extent reasonable practicable) all written Confidential Information without retaining, in whole or in part, any copies, extracts or other reproductions (whatever the form or storage medium) of such materials, and, if requested by the Disclosing Party, the Recipients shall confirm the destruction of such materials in writing to the Disclosing Party (which may be via email). Notwithstanding the foregoing sentence, each Recipient may retain: (i) that portion of the Confidential Information that consists of copies, electronic copies, and is memorialized in notes, analyses, compilations, studies, interpretations or other documents prepared by the Recipient or any of their Representatives, (ii) copies of Confidential Information in databases or automatic electronic back-up systems in accordance with internal record-keeping policies and procedures implemented by such Recipient or any of their Representatives, (iii) Confidential Information necessary to be retained, as deemed by the Recipient or any of their Representatives, to comply with applicable Law and which information retention shall be for recordkeeping purposes only and not for any other use, and (iv) any portions of the Confidential Information that have been disclosed to the public other than through a breach of this Agreement or any other substantially similar confidentiality agreement, or by a third party that, to the Recipient's knowledge, was not under an obligation of nondisclosure to the Disclosing Party.

8. Acknowledgements.

(a) The Parties acknowledge that the dissemination of Confidential Information may be governed by applicable securities law or regulations that prohibit the purchase and sale of securities by persons, including individuals, who possess certain material nonpublic information. However, nothing contained herein shall constitute solely by virtue of entering into this Agreement an admission that any Confidential Information does or does not contain material non-public information concerning the Company, its affiliates or any other issuer of securities.

(b) Each Disclosing Party acknowledges and agrees that any Recipient may maintain or establish an information-blocking device or "Ethical Wall" (an "Ethical Wall") between its employees who receive the Confidential Information and its other employees. In order to preserve such Ethical Wall, if established (and without limiting the generality of the other provisions of this Agreement), such Recipient agrees that none of the Recipient's Representatives who receive Confidential Information or otherwise participate in discussions with a Disclosing Party with respect to the Possible Transaction (such Representatives, the

"Designated Representatives") or the Company shall disclose Confidential Information to any Representative of the Recipient who is not a Designated Representative, provided that (i) under no circumstance shall the Company be required to assess the existence or effectiveness of any such Ethical Wall and (ii) all Representatives of the Recipient who are Designated Representatives shall comply with the terms of this Agreement, including, for the avoidance of doubt, Section 4 (Permitted Disclosures).

9. General Knowledge Acknowledgement. Subject to Section 1 and Section 6, the Company acknowledges and agrees that the Creditor or its Representatives may invest in or have general knowledge with respect to the industry in which the Company operates, the use of which is not intended to be limited by this Agreement.

10. Legal Liability and Remedies. The Parties acknowledge that money damages may not be a sufficient remedy for any breach of this Agreement and that the Parties shall be entitled to seek, in addition to all other remedies, specific performance and injunctive or other equitable relief as a remedy for any such breach or threatened breach to the extent permitted by law. Unless otherwise expressly provided in this Agreement, in the event that such equitable relief is granted, such remedy or remedies shall not be deemed to be the exclusive remedy or remedies for breach of this Agreement but shall be in addition to all other remedies available at law or equity. The Parties agree not to resist such application for relief on the basis that the Disclosing Party or the Recipient, as applicable, has an adequate remedy at law and agrees to waive any requirement for securing or posting any bond in connection with such remedy.

11. Termination. Unless the term of this Agreement is extended in writing by the Parties, this Agreement and the restrictions imposed on the Recipient and its Representatives by this Agreement shall terminate 12 months from the date hereof, provided that the obligations set forth by Section 3 (*Litigation and Admissibility*), Sections 7 (*Return or Destruction of Documents*), 8 (*Acknowledgments*), 9 (*General Knowledge Acknowledgement*), 10 (*Legal Liability and Remedies*), and 12-21 shall survive the termination of this Agreement.

12. Notices. All notices or demands given or made by one Party to another relating to this Agreement shall be in writing and either personally served or sent by registered or certified mail, postage paid, return receipt requested, overnight delivery service, or by electronic mail transmission with a copy by first-class mail, and shall be deemed given for purposes of this Agreement on the earlier of the date of actual receipt or three days after the deposit thereof in the mail. Unless a different or additional addresses for subsequent notices is specified in a notice sent or delivered in accordance with this Section, such notices or demands shall be sent as follows; provided that any notices to the Creditor shall also be delivered to the mailing addresses and email addresses listed on the Creditor's signature page:

If to PREPA:

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

rcooper@cgsh.com
soneal@cgsh.com

-and-

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

If to the Creditor:

Syncora Guarantee Inc.
James W. Lundy, Jr., General Counsel
135 W. 50th Street, 20th Floor
New York, NY 10020
james.lundy@scafg.com

- and -

Debevoise & Plimpton LLP
Richard F. Hahn, Esq.
My Chi To, Esq.
919 Third Avenue
New York, NY 10022
rfhahn@debevoise.com
mcto@debevoise.com

13. Choice of Law. This Agreement (i) is for the benefit of the Parties and (ii) is governed by the laws of the Commonwealth of Puerto Rico. Any suit action or proceeding brought exclusively in connection with this Agreement shall be brought in the Court of First Instance for the Commonwealth of Puerto Rico, San Juan or any federal court of competent jurisdiction located in the Commonwealth of Puerto Rico, and the Parties hereby irrevocably consent to the exclusive jurisdiction of such courts, agree not to commence any suit, action, or proceeding relating thereto except in such courts, and waive, to the fullest extent permitted by law, the right to move to dismiss or transfer any suit, action or proceedings brought in such court on the basis of any objections as to venue or inconvenient forum or on the basis of any objection to personal jurisdiction. The Parties waive, to the fullest extent permitted by law, any right to trial by jury.

14. Conflicts of Interest and Disqualification. The receipt of Confidential Information, in and of itself, in accordance with this Agreement shall not create a conflict of interest so as to require the disqualification of, or in any other respect precludes, any counsel or advisor of the Company, the Creditor, or any other person that it represents or may represent in any matter whatsoever. It is agreed that the Company shall not seek disqualification of counsel or any advisor to the Creditor, including, without limitation, Debevoise, from testifying or from examining or cross-examining the Company or its Representatives who testify at any proceeding


solely because of the receipt of Confidential Information in accordance with this Agreement. Each Party understands and acknowledges that it has the right to retain separate counsel to advise it on conflict of interest and disqualification issues relating to this Agreement.

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

16. Interpretation; Headings. The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity, including the Commonwealth of Puerto Rico and any of its instrumentalities. The headings set forth in this Agreement are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

17. Severability. If any portion of this Agreement shall be declared invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and shall remain in full force and effect.

18. Counterparts. This Agreement may be signed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.



19. Amendment; Waiver. This Agreement shall not be amended, modified or waived except by a separate written agreement signed by each of the Parties. No course of dealing between the Parties shall be deemed to modify or amend any provision of this Agreement, and no delay by the Parties in the exercise (or partial exercise) of each of their rights and remedies shall operate as a waiver thereof.

20. No Implied Agreement. The Parties understand and agree that this Agreement is not intended to, and does not, constitute an agreement that either Party will consent to any Possible Transaction or take any other steps, including, without limitation, preparation or filing of any documents with respect to any related transaction involving the Company. The Parties further understand and agree that each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other Party or any of its Representatives with regard to the Possible Transaction or any other transaction between the Parties, and to terminate discussions and negotiations at any time.

21. Reservation of Rights. Nothing contained herein or otherwise shall operate to restrict, inhibit, limit or prohibit any Party or its designees from exercising any right or remedy available to it while the exchanges of information contemplated by this Agreement are pending. Nothing in this Agreement shall be construed as a waiver of a Party's right under applicable law or contract, and all such rights and remedies are hereby reserved.

[Signature pages follow]

IN WITNESS WHEREOF, each Party has executed this Agreement as of August 13, 2014.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: 

Name: Juan F. Alicea

Title: Executive Director

Syncora Capital Assurance Inc.

By: 

Name: James W. Lundy, Jr.

Title: General Counsel

Notice address:

Syncora Guarantee Inc.
James W. Lundy, Jr., General Counsel
135 W. 50th Street, 20th Floor
New York, NY 10020
james.lundy@scafg.com

- and -

Debevoise & Plimpton LLP
Richard F. Hahn, Esq.
My Chi To, Esq.
919 Third Avenue
New York, NY 10022
rfhahn@debevoise.com
mcto@debevoise.com

Syncora Guarantee Inc.

By: 

Name: James W. Lundy, Jr.

Title: General Counsel

Notice address:

Syncora Guarantee Inc.
James W. Lundy, Jr., General Counsel
135 W. 50th Street, 20th Floor
New York, NY 10020
james.lundy@scafg.com

- and -

Debevoise & Plimpton LLP
Richard F. Hahn, Esq.
My Chi To, Esq.
919 Third Avenue
New York, NY 10022
rfhahn@debevoise.com
mcto@debevoise.com


ADDENDUM A

JOINDER TO CONFIDENTIALITY AGREEMENT

WHEREAS, reference is made to that certain *Confidentiality Agreement Dated August 13, 2014 By and Among The Puerto Rico Electric Power Authority, Syncora Capital Assurance Inc. and Syncora Guarantee Inc.* (the "Agreement"). Each capitalized term used but not defined herein shall have the meaning given to it in the Agreement.

WHEREAS, the undersigned has read the Agreement in its entirety and understands all of the provisions therein.

WHEREAS, the undersigned acknowledges that it is an External Representative of Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (collectively, the "Creditor") and desires to obtain Confidential Information to advise and assist the Creditor in evaluating the Possible Transaction.



NOW, THEREFORE, the undersigned agrees that by executing this joinder, it and its employees and agents, shall become bound by all of the terms of the Agreement, and has the same rights under the Agreement as the Creditor, and agrees to keep the Confidential Information confidential in the same manner and to the same extent as the Creditor, as set forth in the Agreement.

By: _____ Date: _____

Title: _____

Company: _____


CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is made as of March 23, 2015 (the "Effective Date") by and between: (i) the Puerto Rico Electric Power Authority (the "Company") and (ii) Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (collectively, the "Creditor"). For purposes of this Agreement, the Company and the Creditor are referred to, individually, each as a "Party," and collectively, as the "Parties." As used herein, the term "Recipient" shall mean either Party to the extent it receives Confidential Information (as defined below) of the other Party.

WHEREAS, the Company and Syncora Guarantee Inc. entered into that certain Forbearance Agreement, dated as of August 14, 2014 (as it may be amended from time to time, the "Forbearance Agreement").

WHEREAS, the Parties desire to engage in discussions (including without limitation, the contents, timing, and status thereof, to the extent constituting Confidential Information, the "Discussions") and exchange information about the Company's financial condition and a potential consensual restructuring of the Company's outstanding debt obligations (collectively, the "Possible Transaction"), and each Party may provide to the other Party certain Confidential Information (such providing entity, a "Disclosing Party," and collectively, the "Disclosing Parties").

NOW THEREFORE, in consideration of the covenants and conditions set forth in this Agreement and the Recipient's receipt of Confidential Information, it is agreed as follows:



1. Confidentiality of the Confidential Information, Including But Not Limited to the Discussions. As a condition to a Party engaging in the Discussions regarding a Possible Transaction and/or a Recipient receiving any Confidential Information from another Party, such Party and/or Recipient agrees (i) to use all Confidential Information solely for purposes of a Possible Transaction and evaluating a Possible Transaction and to not use it, directly or indirectly, for any other purpose, including but not limited to in any legal proceeding, it being understood that a purchase or sale of the Company's or other securities that is not in violation of the applicable Federal securities laws shall not be deemed a use of the Confidential Information in violation of the provisions of this Section 1; (ii) to not refer to or otherwise disclose, directly or indirectly, the Discussions in any legal proceeding; (iii) to treat as confidential any Confidential Information, including without limitation the Discussions, that is furnished by or on behalf of any Disclosing Party to such Recipient or its Representatives (as defined below) except as permitted hereunder and undertake commercially reasonable precautions to safeguard and protect the confidentiality of the Confidential Information commensurate with those such Recipient employs for the protection of corresponding sensitive information of its own; and (iv) not to disclose, in any manner whatsoever, directly or indirectly, in whole or in part, such Confidential Information, except as is permitted hereunder.

2. Confidential Information.

(a) The term "Confidential Information" shall mean the documents set forth on Exhibit A, and such other documents, if any, as are consented to in writing by Debevoise & Plimpton LLP

and the Company. Notwithstanding the foregoing, Confidential Information also includes this Agreement, the existence of and Discussions related to this Agreement, the Discussions, any Possible Transaction itself, the nature, existence, substance, status, and terms of any Discussions or negotiations that have taken place or are taking place between the Company and the Creditor concerning the Company and a Possible Transaction, and any information disclosed by the Company or its Representatives to the Creditor pursuant to Section 5(d). The term "Confidential Information" does not include information which: (i) is, was or becomes available to the public other than as a result of a disclosure by the Recipient or any of its Representatives in violation of this Agreement; (ii) was or is independently developed by the Recipient or its Representatives without using Confidential Information; (iii) was or becomes available to the Recipient or any of its Representatives on a non-confidential basis from a source other than the Disclosing Party and that is not subject to an agreement of confidentiality with the Disclosing Party; (iv) was already in the possession of the Recipient or its Representatives prior to the date of this Agreement on a non-confidential basis; (v) is determined by a court of competent jurisdiction not to be Confidential Information; or (vi) is agreed in writing by the Disclosing Party not to be subject to a confidentiality restriction. In addition, the term "Internal Representatives" shall mean a Party's or a Party's affiliate and its or its affiliates' managers, directors, officers, members, partners, associates, or employees; the term "External Representatives" shall mean a Party's or its affiliates' attorneys, subcontractors, consultants, accountants, auditors, advisors, agents, representatives, co-investors or potential financing sources; the term "Representatives" shall mean Internal Representatives and External Representatives, as applicable; and in regards to the Company, the term "affiliates" shall include the Commonwealth of Puerto Rico (the "Commonwealth") and the Government Development Bank for Puerto Rico.

(b) The Creditor acknowledges that the Company and certain advisors of the Creditor have executed a confidentiality agreement relating to the exchange of non-public information between such parties and that certain non-public information disclosed to such advisors may not be disclosed to the Creditor without prior written consent of the Company.

(c) Nothing in this Agreement shall require the Creditor to receive Confidential Information.

3. Litigation and Admissibility. Recipient shall not refer to, disclose or use, directly or indirectly, in any legal proceedings (other than a legal proceeding to enforce this Agreement) the Discussions or any other Confidential Information provided by a Disclosing Party or its Representatives. Furthermore, Confidential Information received by Recipient from a Disclosing Party or its Representatives shall not be admissible in any legal proceeding. Recipient agrees that the Discussions and all other Confidential Information provided by a Disclosing Party or its Representatives are in the nature of settlement Discussions that shall not be admissible for any purpose, including but not limited to pursuant to Rule 408 of the Federal Rules of Evidence (or any state or Commonwealth law equivalent). None of the Parties shall seek to cause any other party or directly cooperate with any other party in its efforts to admit in any legal proceeding the Discussions or any other Confidential Information received by Recipient from a Disclosing Party or its Representatives. Nothing contained herein shall limit (i) any rights of the Creditor or its Representatives to obtain discovery through judicial or other process of any information relating to the Company and to introduce the same as evidence in any proceeding, provided that the Recipient is not disclosing Confidential Information received under this Agreement (but

excluding any Confidential Information that is obtained through a discovery process) in violation of this Agreement, (ii) the Company's right to object to such discovery or introduction or its right to seek to have any such Confidential Information introduced under seal, or (iii) the rights of any Recipient and its Representatives to object to the sealing of such information.

4. Permitted Disclosures.

Notwithstanding anything to the contrary in this Agreement, the Recipient may disclose the Discussions or any other Confidential Information: (i) with the prior written consent of the Disclosing Party; (ii) to any of the Recipient's Internal Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who are advised, prior to receipt of such information, by the Recipient of the existence of this Agreement and have agreed or are under an obligation not to disclose the Discussions or any other Confidential Information; (iii) to any of the Recipient's External Representatives who have a need to know of the Discussions or any other Confidential Information, for the purpose of a Possible Transaction, who have executed and delivered to the Disclosing Party, prior to receipt of such information, a joinder to this Agreement, substantially in the form attached hereto as Addendum A; or (iv) in the event that the Recipient or its Representatives are requested or required by law, rule, regulation or governmental, regulatory or self-regulatory body (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand, legal, regulatory or similar process) (collectively, "Law") to disclose all or any portion of the Discussions or Confidential Information; provided that the Recipient shall, with respect to a request made under this Section 4(iv) of this Agreement, to the extent practicable and permitted by applicable Law, promptly notify the Disclosing Party of such request so that the Disclosing Party, at the Disclosing Party's sole cost and expense, may intervene to take legally available steps to resist or narrow such request, including the Disclosing Party's efforts to seek a protective order or other appropriate remedy. In addition, each Recipient and its Representatives agree that they will not oppose, and, to the extent requested by the Disclosing Party and at the Disclosing Party's sole cost and expense, will use commercially reasonable efforts to cooperate with the Disclosing Party with regard to any reasonable action by the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Discussions and any other Confidential Information or to resist or narrow the request or requirement for information. Each Recipient shall be liable for the breach of this Agreement by any of its Representatives to which it discloses the Discussions or any other Confidential Information. For the avoidance of doubt, the Recipient may disclose this Agreement to its Representatives for the purpose of obtaining acknowledgements as provided for in clauses (ii) and (iii) of this Section 4.

5. Disclosure of Confidential Information.

(a) For purposes of this Agreement, "Disclosure Date" means the earlier of (i) March 31, 2015 at 11:59 p.m., which date may be extended by written consent of the Creditor and each other creditor who has executed a substantially similar agreement (including, for the avoidance of doubt, creditors who are clients of Kramer Levin Naftalis & Frankel LLP), and (ii) one (1) business day after termination or expiration of the Forbearance Agreement (as such termination or expiration may be extended or amended in accordance with the terms of the Forbearance Agreement), provided, however, if the Company makes a public announcement describing the

terms of the Company's proposal, or any portion thereof, for a debt restructuring that does not have the prior written consent of the holders of two-thirds of the bonds subject to the Forbearance Agreement, the Disclosure Date shall be one (1) business day after the date of such public announcement.

(b) On or before the Disclosure Date, the Company shall issue a press release making publicly available the portions of the Confidential Information disclosed by the Company and/or its Representatives to the Creditor through the period ending on the Disclosure Date, to the extent not theretofore publicly disclosed, which would reasonably be expected to be material to an investor making an investment decision with respect to the purchase or sale of the Company's securities (such information, "Disclosed Information"). For the avoidance of any doubt, Disclosed Information will not include any information provided to Creditor's Representatives on a basis that could not be shared with Creditor, as described in Section 2(b) of this Agreement.

(c) In the event that the Company shall fail to disclose the Disclosed Information on or before the Disclosure Date pursuant to the terms set forth herein, the Creditor may seek specific performance of the Company's obligations hereunder, or in the alternative the Creditor is authorized to disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Disclosed Information (the "Creditor Disclosure Right"); provided, however, that prior to exercising its Creditor Disclosure Right, the Recipient shall provide the Company with (i) written notice (the "Notice of Insufficiency Objection") of its breach or failure to disclose the Disclosure Information pursuant to this Section 5, which notice shall include a description of the Disclosure Information the Creditor intends to disclose and (ii) at least two (2) days' notice of its intention to make such disclosure in order to permit the Company to make such disclosures (the "Cure Time"). During the Cure Time, the Company and the Creditor and its Representatives shall attempt in good faith to resolve the Creditor's objection. If the Company does not fully disclose all such Disclosure Information by the Cure Time, the Creditor may, in its sole discretion, disclose and make generally available to the public through the issuance of a press release or similar form of public communication such Disclosed Information at any time after the Cure Time. The Company further agrees and acknowledges that the Recipient will not violate any confidentiality terms hereof as a result of making public Confidential Information pursuant to this Section 5.

(d) Prior to a Termination Event (as defined in the Forbearance Agreement), and for so long as the Forbearance Agreement remains in effect, to the extent that the Creditor in good faith seeks Confidential Information with respect to a determination whether a basis exists for a Termination Event, or a decision to exercise a Termination Event, the Company will provide such Confidential Information to Creditor to the extent reasonably necessary, after good faith consultation with its Representatives, to make such determination or decision, with the understanding that such Confidential Information shall be made public to the extent necessary under Section 5 of this Agreement.

6. No Representation or Warranty. The Recipient acknowledges and agrees that none of the Disclosing Party nor its Representatives is making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and none of the Disclosing Party nor its Representatives, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any

liability to the Recipient or any other person resulting from the use of Confidential Information by the Recipient or any of its Representatives.

7. Return or Destruction of Documents. Upon the Disclosing Party's written request upon or after ten (10) business days following the Disclosure Date, each Recipient shall promptly return or, at Recipient's sole election, destroy all written Confidential Information without retaining, in whole or in part, any copies, extracts or other reproductions (whatever the form or storage medium) of such materials, and, if requested by the Disclosing Party, the Recipient shall confirm the destruction of such materials in writing to the Disclosing Party. Notwithstanding the foregoing sentence, each Recipient may retain: (i) that portion of the Confidential Information that is memorialized in notes, analyses, compilations, studies, interpretations or other documents prepared by the Recipient or any of its advisors, (ii) copies of Confidential Information in databases or automatic electronic back-up systems in accordance with internal record-keeping policies and procedures implemented by the Recipient, (iii) Confidential Information necessary to be retained, as deemed by the Recipient, to comply with applicable legal or regulatory requirements and its internal document retention policies and which information retention shall be for recordkeeping purposes only and not for any other use, and (iv) any portions of the Confidential Information that have been disclosed to the public other than through a breach of this Agreement by such Recipient or any other substantially similar confidentiality agreement, or by a third party that, to the Recipient's knowledge, was not under an obligation of nondisclosure to the Disclosing Party.

8. Acknowledgements.

(a) The Parties acknowledge that the dissemination of Confidential Information may be governed by applicable securities law or regulations that prohibit the purchase and sale of securities by persons, including individuals, who possess certain material nonpublic information.

(b) Each Disclosing Party acknowledges and agrees that the Recipient may maintain or establish an information-blocking device or "Ethical Wall" (an "Ethical Wall") between its employees who receive the Confidential Information and its other employees.

9. Legal Liability and Remedies. The Parties acknowledge that money damages may not be a sufficient remedy for any breach of this Agreement and that the Parties shall be entitled to seek, in addition to all other remedies, specific performance and injunctive or other equitable relief as a remedy for any such breach or threatened breach to the extent permitted by law. Unless otherwise expressly provided in this Agreement, in the event that such equitable relief is granted, such remedy or remedies shall not be deemed to be the exclusive remedy or remedies for breach of this Agreement but shall be in addition to all other remedies available at law or equity. The Parties agree not to resist such application for relief on the basis that the Disclosing Party or the Recipient, as applicable, has an adequate remedy at law and agrees to waive any requirement for securing or posting any bond in connection with such remedy.

Without limiting the foregoing, in the event of a public disclosure by a Party or its Representatives constituting a breach of this Agreement (such Party or its Representative, a "Breaching Party"), if the other Party (the "Notifying Party") determines reasonably and in good

faith that it is necessary to correct (or render not materially misleading) the disclosures of the Breaching Party, the Notifying Party shall so notify the Breaching Party of such breach and propose a disclosure to correct (or render not materially misleading) the Breaching Party's disclosure. Upon such notification by the Notifying Party, the Breaching Party shall have no fewer than three (3) days to correct the public disclosure giving rise to the breach. If the Breaching Party has not corrected the public disclosure giving rise to the breach within such three (3) day period, the Notifying Party shall be entitled to make such public disclosure as it determines reasonably and in good faith, following consultation with counsel, is necessary to correct (or render not materially misleading) the disclosure by the Breaching Party in breach of this Agreement. Any Party making a public disclosure pursuant to this provision shall be liable for a breach of this Agreement to the extent such public disclosure discloses any information beyond what it has determined reasonably and in good faith is necessary to correct (or render not materially misleading) any prior disclosure by the Breaching Party. No disclosure made pursuant to this paragraph shall relieve a Breaching Party of liability for its breach of this Agreement.

10. Termination. Unless the term of this Agreement is extended in writing by the Parties, this Agreement and the restrictions imposed on the Recipient and its Representatives by this Agreement shall terminate twelve (12) months from the date hereof, provided that the obligations set forth by Section 3 (*Litigation and Admissibility*), Sections 7 (*Return or Destruction of Documents*), 8 (*Acknowledgments*), 9 (*Legal Liability and Remedies*), and 11-18 shall survive the termination of this Agreement.

11. Choice of Law. This Agreement (i) is for the benefit of the Parties and (ii) is governed by the laws of the Commonwealth. Any suit, action or proceeding brought in connection with this Agreement shall be brought in the Court of First Instance for the Commonwealth, San Juan, or the United States District Court for the District of Puerto Rico sitting in San Juan and the Parties hereby irrevocably consent to the exclusive jurisdiction of such courts, agree not to commence any suit, action, or proceeding relating thereto except in such courts, and waive, to the fullest extent permitted by law, the right to move to dismiss or transfer any suit, action or proceedings brought in such court on the basis of any objections as to venue or inconvenient forum or on the basis of any objection to personal jurisdiction. The Parties waive, to the fullest extent permitted by law, any right to trial by jury.


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

13. Interpretation; Headings. The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity. The headings set forth in this Agreement are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

14. Severability. If any portion of this Agreement shall be declared invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and shall remain in full force and effect.

15. Counterparts. This Agreement may be signed in one or more counterparts (including by means of facsimile or PDF signature pages), each of which need not contain the signature of all Parties hereto, and all of such counterparts taken together shall constitute a single agreement.

16. Amendment; Waiver. This Agreement shall not be amended, modified or waived except by a separate written agreement signed by each of the Parties. No course of dealing between the Parties shall be deemed to modify or amend any provision of this Agreement, and no delay by the Parties in the exercise (or partial exercise) of each of their rights and remedies shall operate as a waiver thereof.



17. No Implied Agreement. The Parties understand and agree that this Agreement is not intended to, and does not, constitute an agreement that either Party will consent to any Possible Transaction or take any other steps, including, without limitation, the preparation or filing of any documents with respect to any related transaction involving the Company. The Parties further understand and agree that each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other Party or any of its Representatives with regard to the Possible Transaction or any other transaction between the Parties, and to terminate Discussions and negotiations at any time.

18. Reservation of Rights. Nothing contained herein or otherwise shall operate to restrict, inhibit, limit or prohibit any Party or its designees from exercising any right or remedy available to it while the Discussions contemplated by this Agreement are pending. Nothing in this Agreement shall be construed as a waiver of a Party's right under applicable law or contract, and all such rights and remedies are hereby reserved.

[Signature pages follow]

IN WITNESS WHEREOF, each Party has executed this Agreement as of the date and year first written above.

PUERTO RICO ELECTRIC POWER AUTHORITY

By: 

Name:

Carlos J. Castro Montalvo

Title:

Acting Executive Director



Syncora Capital Assurance Inc.

By: James W. Lundy, Jr.

Name: James W. Lundy, Jr.

Title: General Counsel



Syncora Guarantee Inc.

By: _____

Name: _____

James W. Lundy, Jr.

Title: _____

General Counsel



EXHIBIT A

Confidential Information

The information included in that certain presentation entitled “Confidential Information for Restricted PREPA Power Revenue Bondholders” that was delivered on March 23, 2015 by Cleary Gottlieb Steen & Hamilton LLP, on behalf of the Puerto Rico Electric Authority (the “Authority”), to Debevoise & Plimpton LLP, in their capacity as advisor to the Syncora Capital Assurance Inc. and Syncora Guarantee Inc.