Bond Case Briefs

Municipal Finance Law Since 1971

PREPA Bondholders Issue Statement.

- **Comment on U.S. First Circuit Court of Appeals' Denial of FOMB's Unprecedented Third Attempt to Invalidate Bondholder Lien on Past, Present and Future Net Revenues**
- **Despite Ongoing Blackouts and Repeated Litigation Losses, Oversight Board Turns a Blind Eye to the Interests of Puerto Rico**
- **Oversight Board's Actions Signal Ill-Fated Plan to Extend PREPA's Bankruptcy by Continuing Costly Litigation**

NEW YORK–(BUSINESS WIRE)–January 03, 2025 — Bondholders of the Puerto Rico Electric Power Authority ("PREPA"), including GoldenTree Asset Management, LP, Assured Guaranty Inc., and National Public Finance Guarantee Corporation (collectively, the "PREPA Bondholders"), today issued the following statement:

"On December 31, the U.S. Court of Appeals for the First Circuit (the "Court") denied an unprecedented additional round of motions for rehearing filed by the Financial Oversight and Management Board (the "Board") and the Official Committee representing PREPA's junior unsecured creditors seeking to wrongly strip fundamental bondholder rights. This is the third time in the last six months that the bondholders have won, and the Board has lost, in the Court of Appeals, which has now repeatedly confirmed that PREPA's over $8.2 billion face amount of revenue bonds (which, with interest accrued prior to and during the now-seven-year span of the case, could result in a claim of over $11 billion) are properly secured by a perfected, enforceable lien on PREPA's past, present and future net revenues.

Tone deaf to the Court's repeated rejection of its arguments, the Board announced its intention to resume its already-failed strategy to impose a nonconsensual plan of adjustment, rather than working with its secured and properly perfected bondholders on a consensual exit from bankruptcy that recognizes the bondholders' legal rights and funds PREPA's immediate financing needs. After reneging on three prior settlements, the Board's strategy ensures that PREPA will remain in bankruptcy for the foreseeable future and that measures to improve the reliability of PREPA's electric system will be delayed indefinitely against the best interests of Puerto Rico. As demonstrated by the end-of-year island-wide power outage, the people of Puerto Rico will continue to suffer while the Board's advisors add to all-time record high fees for a municipal restructuring, currently in excess of $1.5 billion.

The bondholders believe they are legally entitled to post-petition interest on their claim, which would increase it to over $11 billion, that they have billions of administrative expense claims arising from PREPA's consumption of their collateral during the case, that their rights are senior to the underfunded claims of PREPA's pension, and that the Commonwealth has liability for any bondholder losses. The bondholders intend to vigorously litigate these and other issues absent a global settlement. In that regard, the mediation team appointed in PREPA's bankruptcy case has publicly expressed its skepticism regarding the ability to forge a settlement absent further litigation, which is now underscored by the Board's commitment to nonconsensual resolution.

The bondholders remain willing to promptly resolve PREPA's bankruptcy case using rates that the

Board has said would be fair and affordable. In addition to agreeing to take back 50-year replacement bonds that would have no fixed principal payments and interest that could be accrued rather than paid if needed, the bondholders' proposal would also provide $2.5 billion of new funding to pay for PREPA's bankruptcy exit and to begin paying for urgently needed improvements to PREPA's electric system.

Thus far, all of Puerto Rico's bankruptcies have been resolved consensually, in keeping with PROMESA's overarching aim of restoring its market access. The Board's current plan to vitiate bondholder rights at PREPA will be long and fruitless.

The secured and properly perfected bondholders are entitled to have their rights respected and the people of Puerto Rico are entitled to a reliable electric power system. The Board's costly and reckless behavior must end."

Contacts
Longacre Square Partners
Joe Germani / Ashley Areopagita
PREPA@longacresquare.com

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com