



# official statement

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

March 22, 2023

The following are remarks by AAFAF Executive Director Omar J. Marrero on the Title III Court's ruling on the Electric Power Authority bondholders' lien challenge:

After terminating the unworkable restructuring support agreement executed in 2019 with the Electric Power Authority ("PREPA") bondholders, the Government advocated for expedited litigation to determine the rights and claims of PREPA bondholders under their agreements and Title III of PROMESA. The Title III Court's decision issued today validates the Government's determination to terminate that agreement.

Today, consistent with the Government's arguments, the Title III Court determined that the liens of PREPA's bondholders are limited to funds deposited in specific accounts established under the Trust Agreement governing PREPA's bonds. The Court determined, contrary to the bondholders' arguments, that the bondholders do not have a lien or proprietary interest in PREPA's future revenues.

The Government is pleased that the Court recognized the important limitations on the bondholders' liens and claims. While the Court concluded that the bondholders have an unsecured deficiency claim against PREPA's "Net Revenues," the Court determined that the value of that claim must be determined through further litigation or negotiation with reference to both the Trust Indenture and applicable law. The Court recognized that any rate must be reasonable and that PREPA's revenues must be used first and foremost to

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maintain, repair and operate the electric system in an efficient and economical manner.

The Government continues to analyze the Court's decision and the next steps in PREPA's Title III case, including the impact of the decision on the adjustment plan process. Nevertheless, this determination represents an important victory for our Government and another step in making the Authority's exit from Title III viable. The Government will continue to defend Puerto Rico's best interests and fight for a restructured PREPA that does not burden our economy, businesses and families. In addition, the Government will continue to defend the role of the Puerto Rico Energy Bureau as the independent regulator of PREPA and the determiner of appropriate electric power rates.



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