

COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ELECTRIC POWER AUTHORITY

SAN JUAN, PUERTO RICO



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### **PREPA Reaches Agreements with Creditors**

SAN JUAN, Puerto Rico, August 14, 2014 – The Puerto Rico Electric Power Authority (“PREPA”) today announced that discussions with its creditors have resulted in agreements that provide PREPA with a consensual path forward to improve its operations and financial situation.

Insurers and bondholders controlling more than 60 percent of PREPA’s outstanding bonds have entered into contractual arrangements and agreed to amend the existing bond documents to provide PREPA with liquidity and time to work with its creditors to develop a plan to achieve a restructuring of its business.

The insurers and bondholders who signed the agreements, including those that have commenced litigation against the Debt Enforcement and Recovery Act, have agreed that they will not exercise remedies against PREPA during the term of these agreements. During this period, PREPA will continue to make required debt service payments in full.

The banks that provide revolving lines of credit used to pay for purchased power, fuel and other expenses have agreed to extend until March 31, 2015 their previously announced agreements to not exercise remedies as a result of certain credit downgrades and other events. These agreements allow PREPA to continue to delay certain payments that were due to these lenders in July and August, respectively, until March 31, 2015. During this period, the banks will receive interest payments on these amounts.

The contractual agreements with PREPA’s insurers, bondholders and banks will go into effect immediately and an amendment to the existing bond documents, which will provide PREPA the ability to use approximately \$280 million held in its construction fund for payment of current expenses and capital improvements, will become effective later this month. The additional liquidity will assist PREPA in its ongoing operations, while also keeping funds available for capital improvements that will help to facilitate cleaner and more efficient fuel delivery, enabling Puerto Rico to achieve the targets established in the Energy Reform Act.

As part of the new agreements, GDB has agreed that it will not exercise set off rights with respect to PREPA deposits and will not require PREPA to make principal or interest payments due under GDB loans.

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“Today's announcement is an important milestone in the transformation of PREPA and gives us a clear line of sight to the future,” said Harry Rodriguez, President of PREPA’s Board of Directors. “PREPA is working hard to deliver with infrastructure improvements, better cost controls and improved service. Today’s agreements give us additional tools toward the creation of a more modern and self-sustaining PREPA for the future.”

Juan F. Alicea Flores, executive director for PREPA, stated, “Today’s agreements give PREPA the additional time and financial resources we need to reach a comprehensive solution that ensures our ability to provide a safe, reliable and efficient power supply to all Puerto Ricans for many years to come. It is the result of a lot of hard work by many people, and I want to thank all of our stakeholders for their contributions to this very positive outcome.”

David H. Chafey, president of the Board of Directors of GDB, commented, “The Government Development Bank of Puerto Rico is pleased with PREPA’s ongoing efforts to become a self-sustaining business. The agreements announced today are important steps in the process of creating a stronger PREPA for the people of Puerto Rico.”

As part of its agreements with the creditors group, PREPA has committed to complete a five-year business plan by December 15, 2014 and to appoint a chief restructuring officer (CRO) by September 8, 2014. The CRO will work closely with Mr. Alicea and the rest of PREPA’s Board and management team to accelerate PREPA’s transformation, ensuring the utility is able to efficiently implement the changes necessary to achieve its financial and operating targets. Initial areas of focus are expected to include optimizing the generation, transmission and distribution of the Island’s power supply, refining collection and expense management processes, and enhancing the overall quality of data collection and reporting. Under the terms of the agreements announced today, PREPA must deliver a full debt restructuring plan by March 2, 2015.

“The additional insights and experiences the CRO will bring to PREPA will be important assets as we work to build a stronger utility for the future,” Mr. Alicea added.

PREPA will file a notice on the Electronic Municipal Market Access (EMMA) system outlining the key terms of its agreements with the creditor groups. PREPA agreed to make these disclosures under confidentiality agreements it signed with certain of its creditors in conjunction with the ongoing discussions. The notice will be filed today and includes additional information about the agreements and PREPA.

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