



**PREPA Reaches Agreement with Ad Hoc Bondholder Group  
Key Financial Terms Agreed as Part of Debt Restructuring**

**San Juan, PR – September 2, 2015** – The Puerto Rico Electric Power Authority (PREPA) announced today that it has reached an agreement with the Ad Hoc Group of PREPA bondholders on the economic terms of a restructuring of their PREPA power revenue bonds. The Ad Hoc Group – comprised of traditional municipal bond investors and hedge funds – holds approximately 35% of PREPA’s outstanding bonds.

PREPA’s agreement with the Ad Hoc Group marks PREPA’s first agreement with a significant financial stakeholder regarding the substantive terms of its financial transformation. PREPA will continue negotiating with its monoline bond insurers and revolving fuel line lenders, with the goal of reaching an agreement on a consensual recovery plan among all of its major financial stakeholders

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The agreement with the Ad Hoc Group contains the following material terms:

- The Ad Hoc Group will exchange all of their outstanding power revenue bonds for new securitization notes and receive 85% of their existing bond claims in new securitization bonds, which must receive an investment grade rating
- Bondholders will have the option to receive securitization bonds that will pay cash interest at a rate of 4.0% - 4.75% (depending on the rating obtained) (“Option A Bonds”) or convertible capital appreciation securitization bonds that will accrete interest at a rate of 4.5% - 5.5% for the first five years and pay current interest in cash thereafter (“Option B Bonds”)
- Option A Bonds will pay interest only for the first five years, and Option B Bonds will accrete interest but not receive any cash interest during the first five years
- All uninsured bondholders will have an opportunity to participate in the exchange
- Ad Hoc Group will negotiate with PREPA in good faith to backstop a financing that will allow PREPA to conduct a cash tender for bonds held by non-forbearing creditors.

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“Somos un patrono con igualdad de oportunidades en el empleo y no discriminamos por razón de raza, color, sexo, edad, origen social o nacional, condición social, afiliación política, ideas políticas o religiosas; por ser víctima o ser percibida(o) como víctima de violencia doméstica, agresión sexual o acecho; por impedimento físico, mental o ambos, por condición de veterano(a) o por información genética.”

In addition to its agreement on economic terms with the Ad Hoc Group, PREPA announced an extension of its forbearance agreements through September 18, 2015. All of the creditors that were parties to the existing forbearance agreements agreed to the extension other than National Public Finance Guarantee Corporation.

“The agreement with the Ad Hoc Group is the result of hard work and compromise from all parties. This agreement, when implemented and assuming participation from 75% of uninsured bondholders outside the Ad Hoc Group, is forecasted to reduce PREPA’s total debt principal by approximately \$670 million, save more than \$700 million in principal and interest payments over the next five years and substantially reduce PREPA’s interest rate expense on the exchanged bond debt,” said Lisa Donahue, Chief Restructuring Officer. “We are pleased that the Ad Hoc Group realized the benefit of our shared burden solution. We will continue to focus on finalizing consensual agreements with the other creditors so that we can continue to implement PREPA’s transformation,” concluded Donahue.

“The agreement with the Ad Hoc Group is a positive step in our efforts to transform PREPA. We will continue to work with the other creditor groups toward a comprehensive agreement that will benefit the people and businesses of Puerto Rico, and provide a clear path to implement PREPA’s transformation,” said Harry Rodríguez, Chairman of the Board of Directors of PREPA.

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