

Proskauer Secures Victory at First Circuit on Behalf of the Financial Oversight and Management Board for Puerto Rico

September 30, 2026

NEW YORK, September 30, 2026 – Proskauer secured a major victory at the United States Court of Appeals for the First Circuit on behalf of its client, the Financial Oversight and Management Board for Puerto Rico, defeating an \$8.5 billion claim by holders of revenue bonds issued by the Puerto Rico Electric Power Authority (PREPA).

The bondholders asserted that the Commonwealth of Puerto Rico interfered with PREPA's ability to repay the bonds, in violation of a statutory promise it made to induce the bonds' purchase. The Board, acting on behalf of the Commonwealth, argued that the bondholders' claim should be subordinated to other creditors' claims under Section 510(b) of the Bankruptcy Code. The First Circuit agreed, preventing the bondholders from potentially obtaining a double recovery, and effectively zeroing out their claim under the governing Plan of Adjustment.

"In sum, because the proof of claim here alleges that the commonwealth impaired rights that induced the bondholders to purchase the PREPA revenue bonds, we conclude that the trustee's claim seeks 'damages arising from the purchase or sale' of securities within the meaning of § 510(b)," U.S. Circuit Judge Julie Rikelman wrote in the First Circuit opinion.

The First Circuit's precedential decision resolves several questions of first impression within the circuit concerning Section 510(b)'s application to municipal and affiliate securities. It also removes the most substantial legal roadblock to the expected recoveries of the Commonwealth's unsecured creditors, many of whom are individuals and small businesses.

The Proskauer team was led by partners [Mark Harris](#) and [John Roberts](#) (Appellate), [Tim Mungovan](#) (Firm Chairman, Litigation) and [Martin Bienenstock](#) (Restructuring), and included partners [Brian Rosen](#) (Restructuring) and [Laura Stafford](#) (Litigation), and associates [Adam Deming](#) (Litigation), [Maximilian Greenberg](#) and [Elliot Stevens](#) (Restructuring).

About Proskauer

Proskauer is an elite global law firm with more than 900 lawyers in key financial centers in the United States, Europe, South America, and Asia. Our clients include many of the world's leading businesses, including asset managers, banks, listed corporations, and private companies. We have deep expertise in several of the fastest-growing and dynamic segments of the market, including sports, technology, life sciences, and health care. We represent hundreds of asset managers across a wide spectrum of sectors and strategies, including private equity, private credit, hedge, real assets, secondaries, and capital solutions.

Proskauer has a full-service litigation practice with extensive trial experience in virtually every major forum across the globe. We take a collaborative approach to representing defendants and plaintiffs, multinationals, middle-market and small-cap businesses, financial institutions, partnerships and individuals, with one thing in mind – driving successful outcomes for our clients.

Related Professionals

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