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International Alliance AAE Files Lawsuit Against Brazilian Electricity Giant Eletrobras in Federal Court in New York

Frankfurt (ots) -

AAE Management for Energy Equipment LLC ("AAE"), a company of the Al Mazrouei Group, one of the most important business groups in the United Arab Emirates, along with its North American affiliate Eagle Equity Funds LLC, and German affiliate AHG Vermögensverwaltung, has filed a lawsuit in the United States District Court of the Southern District of New York (No. 19-cv-09344) against Centrais Elétricas Brasileiras S/A - Eletrobrás ("Eletrobras"), the largest producer and distributor of electric and nuclear energy in South America, and several of its officers/directors, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and accompanying regulations, as well as state law.

694 Bearer Bonds, worth more than U.S. \$5.2 billion

AAE's claims arise out of statements in Eletrobras' filings with the United States Securities and Exchange Commission ("SEC") regarding Eletrobras' obligations under certain Bearer Bonds and other obligations that were issued under Brazil's Compulsory Loan Program. AAE and its affiliates are the holders of 694 of these Bearer Bonds, which are worth more than U.S. \$5.2 billion. Eletrobras has refused to honor or convert these Bearer Bonds into shares, pursuant to the terms of the Bonds. The lawsuit alleges that Eletrobras has misrepresented in its SEC filings and other public statements that the Bearer Bonds are unenforceable, thereby omitting billions of dollars in liability under those Bonds from its balance sheet, and has minimized billions of dollars more in other obligations under the Compulsory Loan Program. By doing so, AAE alleges that Eletrobras has devalued the Bearer Bonds and has inflated the value of its stock.

In 2015, as a result of facts uncovered during the "Operation Carwash" investigation of the other state-run Brazilian oil company Petróleo Brasileiro S.A. ("Petrobras"), Eletrobras commenced an internal investigation, which did not conclude until April 2018. As a result of these issues, Eletrobras was not able to timely file its 2014 or 2015 annual reports and, as a result, the New York Stock Exchange suspended trading in Eletrobras' ADRs and commenced de-listing procedures in May 2016. Although trading in Eletrobras' ADRs ultimately resumed on October 12, 2016, Eletrobras acknowledged as a result of the investigation that it did not have adequate internal controls. Eletrobras later settled a securities class action in the Southern District of New York in connection with its involvement in that fraud for \$14.75 million, and shortly thereafter, in December 2018, Eletrobras agreed to pay an additional U.S. \$2.5 million in civil penalties in a settlement with the SEC for "inadequate internal controls" and violations of the Foreign Corrupt Practices Act in connection with Operation Carwash.

AAE is represented by Kahn Swick & Foti, LLC

AAE is represented by Lewis Kahn, Michael Palestina, and Melissa Harris of Kahn Swick & Foti, LLC, one of the United States' premier boutique securities litigation law firms. Among the many federal securities fraud and shareholder derivative lawsuits around the country in which they have achieved substantial recoveries, KSF was Co-Lead Counsel in In Re Eletrobras Securities Litigation, Case No. 1:15-cv-05754 (Consolidated) (S.D.N.Y.) against Eletrobras and several of its former directors and officers. KSF represented U.S. investors after the company reported large losses related to a sprawling corruption scandal in Brazil. After nearly three years of protracted litigation, KSF achieved a settlement of \$14.75 million for investors. In In re Petrobras Securities Litigation, No. 1:14-cv-9662 (S.D.N.Y.), KSF was a Member of the Plaintiffs' Steering Committee for the Individual Actions ("PSC"), in coordination with the federal securities class action against Brazil's state-controlled petrochemical company arising from "Operação Lava Jato," the largest corruption scandal in the history of Latin America, whereby Plaintiffs alleged Defendants deliberately overpaid on various construction contracts in return for kickbacks. As a Member of the PSC, KSF was found by the Court to have "made a substantial contribution to the class," June 22, 2018 Opinion and Order at 39 (D.E. 834), the result of which was a settlement of \$3 billion for investors, which returned approximately 65% more to shareholders than received in other individual actions.

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