

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Puerto Rico Creditors End Opposition to Bank Debt Restructuring.**

SAN JUAN — Puerto Rico's unsecured creditors will drop their opposition to a deal to restructure roughly \$4 billion of debt issued by the U.S. commonwealth's defunct Government Development Bank (GDB), under an agreement revealed on Friday.

During a U.S. District Court hearing, lawyers for the government, the unsecured creditor committee (UCC) and Puerto Rico's federally appointed financial oversight board announced the agreement. This advances the island's first consensual debt restructuring under the federal Puerto Rico Oversight, Management and Economic Stability (PROMESA) Act.

"We think that Title III debtors and creditors are better off," said Luc Despins, a lawyer from Paul Hastings who represents the creditor committee.

Overwhelmed with \$120 billion of debt and pension liabilities, the Puerto Rico government and four of its public corporations last year filed for a court-ordered bankruptcy process under Title III of the PROMESA Act.

The proposed GDB restructuring deal is being pushed through Title VI of the federal law, which provides for a consensual restructuring framework between the government and creditors. The plan, overwhelmingly approved by creditors last month, would transfer to a GDB Debt Recovery Authority the bank's municipal loan portfolios, real estate assets and unencumbered cash. The authority would issue new bonds backed by a statutory lien on those assets in an amount equal to 55 percent of outstanding debt.

The deal calls for establishment of a Public Entity Trust, which would mostly receive non-performing loans made by the GDB to other government entities.

The unsecured creditor committee, mostly government suppliers and labor unions, had tried to halt the proposed GDB restructuring deal, arguing it violated the court-ordered bankruptcy stay and PROMESA. The group also raised a flag over the deal's release of potential claims against current and former GDB directors, officers and other representatives.

U.S. Judge Laura Taylor Swain, who is overseeing the island's bankruptcy, last month rejected a motion by the committee to stop the deal. Under the latest agreement, the creditor committee will withdraw all legal actions against the deal, as well as any claim in connection with issuance of GDB debt. Certain funds and deposits that would have gone to the GDB Debt Recovery Authority will now go to the Public Entity Trust.

If Swain approves the agreement, the next step would be final court approval, which the government expects by Nov. 6.

The agreement does not require a recertification of the GDB restructuring deal, nor does it affect the schedule for its approval, lawyers said.

Puerto Rico also has deals in the works to restructure debt issued by its bankrupt Sales Tax Financing Corporation, known as COFINA, and Electric Power Authority (PREPA).

**By Reuters**

Oct. 5, 2018

(Reporting By Luis Valentin Ortiz, additional reporting by Karen Pierog in Chicago; Editing by Daniel Bases and David Gregorio)

Copyright © 2025 Bond Case Briefs | [bondcasebriefs.com](https://bondcasebriefs.com)