

# **Bond Case Briefs**

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## **Executive Director of Puerto Rico's Oversight Board Defends Proposed Restructuring Deal.**

### KEY POINTS

- The agreement is on the framework for the plan of adjustment and would slash the amount of Commonwealth related bonds outstanding by more than 60% to less than \$12 billion.
- "I believe this is part of a process and you have to begin somewhere and you have to reach an agreement with some group, which we've done with the groups that were announced yesterday," Natalie Jaresko told CNBC. "And now that it's become public, we are very eager, willing to continue these discussions with all the other groups of creditors as well as the bond insurers."

The executive director of Puerto Rico's Oversight Board is standing by the restructuring agreement that it reached with a portion of bondholders to address \$35 billion of Puerto Rico's debt, despite the island's government and a key creditor saying they will not sign on to the deal.

The agreement, which was [unveiled](#) late on Sunday, is on the framework for the plan of adjustment and would slash the amount of Commonwealth related bonds outstanding by more than 60% to less than \$12 billion.

"I believe this is part of a process and you have to begin somewhere and you have to reach an agreement with some group, which we've done with the groups that were announced yesterday," Natalie Jaresko told CNBC's Leslie Picker in an exclusive interview. "And now that it's become public, we are very eager, willing to continue these discussions with all the other groups of creditors as well as the bond insurers," Jaresko said.

The Plan Support Agreement has the support of creditors who hold approximately \$3 billion in total of the island's constitutionally guaranteed claims. However, the government of Puerto Rico and Assured Guaranty, a monoline insurer that has \$1.5 billion of net par exposure to the bonds covered in the proposed deal, have rejected the deal.

"This 'deal,' backed by barely 10 percent of Commonwealth guaranteed and GO creditors, who bought positions at prices substantially below par, failed to include the largest general obligation creditors who have supported Puerto Rico for decades, and is a disservice to the residents and long term stakeholders of the island," Assured Guaranty said in a written statement provided to CNBC.

When asked about this point, Jaresko said "I don't think we should look at it as 90% of them not signing on, in the sense that there are different classes and different interests and you have to look at each class individually." Jaresko, who was appointed executive director of the Oversight Board in March 2017, continued by saying the group of bondholders that have signed on to the proposed deal account for "a significant amount" and believes that making the deal public last night will help build further creditor support.

Almost immediately following the release of the proposed deal, the government of Puerto Rico issued a statement rejecting the deal, citing the administration's strong opposition to any cuts to retiree's

benefits.

“The government of Puerto Rico seems determined to not support this agreement though this agreement provides for sustainable, affordable debt and secures pensions,” Jaresko said. “They seem to be determined regardless of whether it’s in the interest of the Commonwealth or not....this agreement focuses and assures the single most important thing that current and future administrations do not undermine again the financial stability of the pension system.”

Assured Guaranty also stated that the company could not support “an agreement that would prolong expensive litigation, while harming Puerto Rico’s long-term economic success and the national municipal bond market.”

Jaresko, who is anticipating the plans of adjustment to be filed within thirty days, does note that the proposed terms of the plan of adjustment are not set in stone and says, “there can be amendments going forward.”

“There’s still quite a bit of room to work with bondholders here to bring in additional classes, and to reach an even more consensual agreement,” Jaresko said.

Assured Guaranty says that the company “continues to encourage the start of negotiations among Puerto Rico’s most important stakeholders,” but warns the Oversight Board that it is prepared “to litigate this to the fullest extent to protect our rights, those of municipal bond investors, and the rule of law.”

“I look forward to working with the other groups of creditors to bring this to a close as soon as possible,” Jaresko said.

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