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Puerto Rico Bondholders Put Forward Their Own Restructuring Plan.

A group of Puerto Rico bondholders has proposed a competing plan in response to the bond swap the U.S. commonwealth announced on Feb. 1, the latest twist in a long-running battle over the terms that will determine an expected restructuring of the island territory's debt.

The group, made up of investors who own debt backed by sales-tax revenues, offered to agree to a delayed repayment of the bonds in exchange for preservation of the tax-backed guarantee of the notes, known by their Spanish acronym, Cofina.

In its earlier proposal, Puerto Rico proposed consolidating Cofina bonds into the commonwealth's broader debts, which would be exchanged for two new bonds distributed in varying amounts depending on the relative legal priority of existing bonds.

The island is trying to restructure about \$70 billion of municipal bonds issued by a variety of government entities. As it negotiates with bondholders, Puerto Rico's government is asking the U.S. legislature for the ability to create a debt-restructuring authority. Congressional Republicans are seeking the establishment of a control board to oversee Puerto Rico's budget before agreeing to a restructuring mechanism.

The Cofina bonds are split between \$7.6 billion of senior notes that would be paid off first in a restructuring and \$9.7 billion of subordinated bonds, according to a presentation of the counterproposal prepared by the group's financial adviser, Miller Buckfire & Co., and law firm Quinn Emanuel Urquhart & Sullivan LLP.

The group controls Cofina senior bonds with about a face value of \$1.6 billion and includes MetLife Inc., hedge funds Whitebox Advisors LLC and Goldentree Asset Management LP and Jose Rodriguez Perello, a former vice chairman of the board of directors of the Government Development Bank of Puerto Rico, a person familiar with the matter said.

Mr. Rodriguez Perello on Feb. 8 sent the Puerto Rico Sales Tax Financing Corp. a letter demanding it repudiate the proposal and threatened to declare an event of default on the bonds if the corporation fails to comply within 30 days, according to a copy of the letter. An event of default would accelerate the bonds, making them due immediately.

"We don't comment on discussions with creditors," said a spokeswoman for the Government Development Bank of Puerto Rico. "A response to the letter is forthcoming, but we believe the allegations of a default are legally and factually incorrect."

MetLife declined to comment.

Whitebox, Goldentree and Mr. Rodriguez Perello couldn't immediately be reached for comment.

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By MATT WIRZ

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Write to Matt Wirz at matthieu.wirz@wsj.com

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