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## **Illinois Convention Center Project Enters Prearranged Bankruptcy.**

### ***Municipal bond-financed project failed to live up to projections***

A Chicago suburb's convention center project corporation entered chapter 11 bankruptcy on Friday, starting a court-supervised process to settle a \$183 million municipal default.

Lombard Public Facilities Corp., a public financing entity in the village of Lombard, Ill., entered court protection having already hammered out a restructuring deal with its largest creditors, municipal bond giants Nuveen Asset Management LLC and OppenheimerFunds Inc.

The corporation's \$183 million in debt was issued to finance an 18-story building project that opened in 2007 with a Westin-branded hotel, convention space and restaurants.

The catalyst for the bankruptcy was the village's refusal, starting in late 2011, to appropriate funds to cover shortfalls between what the project generated in revenue and the scheduled payments due to bondholders.

Reserve funds covered LPFC's debt obligations until January 2014, when the municipal debt fell into default, trashing the credit ratings of both the village and the bond issuer.

Counting accrued interest and principal, the outstanding balance has ballooned to \$247 million, according to court documents.

Under the restructuring deal, the village agreed to contribute \$3 million to boost bondholder recoveries. It would also hand over the proceeds from a 1% increase in its restaurant tax that went into effect in January.

Subject to court approval, the plan would restructure some bonds into senior and subordinate securities and extend debt maturities until as late as 2069. A \$69.5 million slice of the debt would be extinguished.

LPFC is required under the agreement to meet a series of milestones, such as filing a plan of reorganization by Sept. 29 and securing court approval for that plan by Dec. 15. LPFC would exit chapter 11 by Dec. 31.

ACA Financial Guaranty Corp., a bond insurer with \$58 million in guarantees on the line, is also on board with the proposed workout plan.

The case has been assigned to Judge Jacqueline P. Cox in the U.S. Bankruptcy Court in Chicago. Law firm Adelman & Gettleman Ltd. is serving as debtor's counsel in the case, numbered 17-22517.

### **The Wall Street Journal**

By Andrew Scurria

July 28, 2017 6:15 p.m. ET

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