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Puerto Rico Reaches Deal to Restructure \$18.8 billion of Debt.

Puerto Rico reached a proposed settlement with bondholders to restructure \$18.8 billion in debt as part of an effort to emerge from bankruptcy, its federal oversight board announced Tuesday.

The proposed agreement with the Financial Oversight and Management Board calls for a 27% average reduction for general obligation bondholders and a 21% average reduction for Public Buildings Authority bondholders, and reduces their claims on some interest payments. If finalized, bondholder debt would be cut to \$7.4 billion.

Holders of more than \$11.7 billion of bonds support the agreement, including traditional municipal investors and monoline bond insurers Assured Guaranty, Syncora Guarantee and National Public Finance Guarantee, while mediation continues with holders of Puerto Rico Government Employees Retirement System bonds, general unsecured claims, monoline bond insurers with clawback claims, and creditors holding other claims against the government of Puerto Rico.

Oversight board Chairman David A. Skeel said in a statement that the agreement puts Puerto Rico on a path to recovery. "I firmly believe this is the best outcome we could achieve in today's economic uncertainty, not only for the people of Puerto Rico but also for creditors who have an interest in Puerto Rico's long-term viability and creditworthiness."

The oversight board will present a restructuring plan next month based partly on the agreement with creditors and other agreements already achieved with a retirees' group and some unions, as well as the outcome of the ongoing mediation with other creditor groups.

Natalie Jaresko, executive director of the oversight board, said in the statement that reducing annual debt service payments combined with a new debt policy enacted last year that restricts incremental debt issuance "to avoid the mistakes of the past" will establish sustainable debt levels and allow Puerto Rico to focus on structural reforms and growth.

"All of this puts Puerto Rico on a path to renewed market access," Ms. Jaresko said.

In a separate statement, several creditor groups with a collective \$8.2 billion in general obligation and PBA bond claims endorsed the proposal agreement, which includes several creditor concessions.

"This widely supported compromise will help Puerto Rico avert years of costly, distracting litigation and finally expedite the island's long-awaited exit from bankruptcy in 2021," they said.

"Creditors have agreed to assume more risk and further align themselves with Puerto Rico's revitalization by taking a portion of their recovery in a contingent value instrument that only pays out if the Commonwealth's economy outperforms the May 2020 Certified Fiscal Plan," they said.

"We firmly believe the new PSA (Puerto Rico Support Agreement) will help Puerto Rico continue to support its 3 million citizens during these difficult times while also laying the groundwork for a

much brighter economic future,” they added.

PENSIONS & INVESTMENTS

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