

Turnarounds & Workouts

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Successful Restructurings of 2022

PUERTO RICO

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The Commonwealth of Puerto Rico's Plan of Adjustment was declared effective on March 15, 2022, bringing to a close its restructuring case under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act. The matter was the largest-ever US public-sector restructuring case and one of the most complex restructuring cases of any kind. Puerto Rico completed the exchange of more than \$33B of existing bonds and other claims into \$7B of new bonds. The Plan cut annual debt service from a maximum of \$3.9B before the debt restructuring to a stable, affordable, and predictable \$1.15B each year. The

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Plan saves Puerto Rico more than \$50B in debt service payments. The Plan fully protects (without modifications) the accrued pension benefits of 167,000 retired government employees whose unfunded accrued pensions (along with accrued pensions of active employees) were valued at about \$55B. At the start of the case, the Oversight Board threatened to severely reduce pensions. The Plan created a novel Pension Reserve Trust to provide additional security in later years for the full annual payment of pensions. In early October 2022, the Puerto Rico government made the first installment, in the amount of \$1.4B, to the Trust. The fund is expected to receive about \$10B in aggregate annual deposits from Puerto Rico over the next 10 years.

On Dec. 6, the Puerto Rico Highways and Transportation Authority's Plan of Adjustment, which reduces the agency's debt by more than 80%, was declared effective. HTA completed the exchange of more than \$6.4B of existing bonds and other claims to \$1.2B of new bonds. In addition, HTA bondholders received \$389 million in cash. The first of two \$24M cash deposits were made to a reserve for the benefit of general unsecured creditors. The Plan creates a solid financial foundation to ensure Puerto Rico's roads and public transportation system are maintained and improved. HTA will now be able to implement the transportation sector reforms set forth in the certified HTA and Commonwealth Fiscal Plans. The Plan decreases annual debt service substantially from \$294M before the debt restructuring to an affordable \$90M annual over the term of the bonds, saving Puerto Rico more than \$3 billion in debt service payments. The financial stability of the Plan of Adjustment allows HTA to invest more on roads and other projects.

About This Publication:

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