

THE BOND BUYER

Deal to restructure Puerto Rico Industrial Development Company bonds reached

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Published

August 07, 2023, 3:12 EDT

A preliminary deal to restructure more than \$186 million taxable Puerto Rico Industrial Development Company bonds at 100% of original par was reached last week, which some sources suggest is a signal of a larger deal with parties in the Puerto Rico Electric Power Authority negotiations.

The Puerto Rico Fiscal Agency and Financial Advisory Authority posted a preliminary PRIDCO [bond restructuring support agreement](#) to the Municipal Securities Rulemaking Board's EMMA website Thursday.

While the Puerto Rico Oversight Board, PRIDCO bondholders, FAFAA, and PRIDCO indicated a deal had been reached, FAFAA said neither it nor PRIDCO are parties to the deal. The boards of both FAFAA and PRIDCO must approve the deal before the entities can be said to approve it.



Susheel Kirpalani, partner at Quinn Emanuel Urquhart & Sullivan, negotiated the deal for the Puerto Rico Industrial Development Company bondholders.

If and when this happens, the U.S. District Court for Puerto Rico would have to approve the deal for it to be enacted.

In February, affiliates of GoldenTree Asset Management LP [filed a lawsuit complaining PRIDCO's bonds](#) have not paid since the passage of the Puerto Rico Oversight, Economic Stability, and Management Act in 2016 and that there was no legal or financial justification for the delay. GoldenTree, one of the principal holders of PRIDCO bonds, signed the just announced PRIDCO RSA.

Last week the lawsuit parties asked the court for a stay for the RSA to progress and potentially be approved. They said they expected FAFAA and PRIDCO to approve the deal by the end of August.

The parties have negotiated the deal as part of Title VI of the Puerto Rico Oversight, Management, and Economic Stability Act.

Puerto Rico Clearinghouse Principal Cate Long said, PRIDCO, a Puerto Rico government body that owns commercial and manufacturing real estate that it rents out, "has always been solvent and able to pay debt service."

"From what I understand [then Oversight Board Executive Director] Natalie Jaresko had come to a deal with GoldenTree and other parties over four years ago to pay the debt but kept delaying filing a Title VI petition to use this deal as leverage against GoldenTree (who is a big holder of PREPA debt)," she said. "The fact that the Oversight Board has now signaled they've completed a PRIDCO restructuring support agreement means they are [close to finalizing a PREPA deal](#) with GoldenTree."

The board declined to comment on Long's claim the board linked the PRIDCO and PREPA bankruptcies.

According to the terms of the deal, the current taxable bond claim of \$186.3 million plus \$22,411 a day of interest, minus a \$30 million cash payment, is to be made the principal of new bond paid at 100%.

The new bond's coupon would be 7% for three years and 8.75% thereafter. The weighted average interest rate of PRIDCO bonds on July 2, 2016, was 5.4%.

The restructured bonds would not mature until 2053. The five CUSIPs affected by the restructuring had originally been scheduled to mature 2018 to 2028. The PRIDCO bonds have not paid since July 2016.

The restructured bonds would be callable at par for the first three years, 104% for the following three years, and then for 0.5% less per year thereafter. None of the original PRIDCO bonds outstanding are insured.

The bond holders are represented by Susheel Kirpalani, partner at Quinn Emanuel Urquhart & Sullivan, and Rafael Escalera, capital partner at Reichard & Escalera.