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## Creditors object to the RSA

The Unsecured Creditors Committee claims that government suppliers and contractors will receive very little with the deal

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By Joanisabel González



The JSF noted that Puerto Rico needs to get out of bankruptcy so that companies can acquire capital to expand or create more jobs. (Gerald López Cepero)

Following the silence period imposed by the mediation process, the Unsecured Creditors Committee (UCC) criticized yesterday the **Oversight Board** by stating that the agreement with **certain central government bondholders** will be made at the expense of thousands of individuals, workers, health organizations and businesses in Puerto Rico.

In an interview with **El Nuevo Día**, Alvin Velázquez, representative of the Service Employees International Union (SEIU), and co-founder of Unitech Engineering Group, Ramón Ortiz, assured the UCC - which represents some 80,000 government creditors, except retirees - intends to object to the agreement reached with certain General Obligations (GOs) and **Public Buildings Authority** (PBA) bondholders.

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"The reality is that there are solid legal arguments to challenge the validity of part of the debt," Velazquez said, referring to the lawsuits the Board and the UCC filed together to invalidate some \$10 billion in such obligations.

According to the lawyer, the agreement with the Board does not substantially cut the debt issued through bonds. Rather, he added, the Board will pay bondholders at the expense of sacrificing payments to other creditors.

**The agreement, announced last Sunday by the Board, would pay between 72 and 77 cents to GO and PBA holders, that is 25 percent cut.**

However, government contractors and suppliers grouped under the UCC would see a 98 percent cut. Then, the Board is contemplating paying less than three cents on the dollar, Velázquez noted.

In defending the agreement, the Board's Executive Director Natalie Jaresko pointed out that Puerto Rico needs to come out of bankruptcy so that companies can access capital to expand or create more jobs. But, for Ortiz, who has been waiting more than a decade for the government to pay him \$11 million for the construction of housing complexes, no business person who has done business with the government will be able to successfully stay afloat if the Board succeeds in adopting a plan that would pay for only about 1.8 percent of that debt.

**Based on the adjustment plan, the Board would initially separate just \$100 million to pay for more than \$5 billion in government services still owed. If that figure prevailed, it would be only a quarter of the \$400 million payment that t bondholders' lawyers would receive for completing the deal.**

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"I don't think that agreement is reasonable," Ortiz said, noting that 90 percent of the UCC members are small and medium-size Puerto Rican entrepreneurs.

**They call upon the Legislature to act**

"It's discriminatory," said Vázquez, noting that while the government's general creditors would receive 1.8 cents on every dollar owed to them, bondholders who signed the agreement could receive a 250 percent return. And this because they bought those bonds for 20 or 30 cents on the dollar during the crisis.

**"The owners of this process are the Legislature and the governor. If they say no to cutting pensions, they should say no to the cut that small and medium businesses in Puerto Rico would see," Velázquez said.**

Yesterday, opposition to the pact also came from other bondholders. Four of the five municipal insurance companies that have backed Puerto Rico's debt for decades urged Governor **Wanda Vázquez Garced** and the Legislature not to give way to the agreement because they believe it will be an obstacle to the debt restructuring process.

"The RSA fails to respect lawful creditor rights, priorities, and liens, in violation of the Puerto Rico Oversight Management Economic Stability Act ("PROMESA"), and in particular openly disregards basic constitutional protections, fiscal plan requirements, and obligations concerning both general obligation and revenue bonds," insurers said.

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Meanwhile, the spokeswoman for the **Frente Ciudadano por la Auditoría de Deuda** (Citizen Front for the Debt Audit), Eva Prados, described the agreement as "totally unacceptable" while insisting that the island's debt has to be audited.

"Any agreement that avoids these (debt challenge) litigations goes against the best interests of Puerto Rico and seeks to free from responsibility those who brought us to this crisis," Prados added.

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