Assured Guaranty Joins Agreement Between Senior and Subordinate COFINA Bondholders

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HAMILTON, Bermuda--(BUSINESS WIRE)--Assured Guaranty Municipal Corp. (AGM), a municipal bond insurance subsidiary of Assured Guaranty Ltd. (NYSE:AGO), has agreed to terms for a restructuring support agreement (RSA) resolving how Puerto Rico sales and use tax (SUT) revenues will be divided between the holders of senior and subordinate bonds issued by the Puerto Rico Sales Tax Financing Corporation (COFINA by its Spanish acronym) and secured by the SUT.

The agreement applies to the SUT revenues allocated to COFINA under a previous agreement between the court-appointed agents for COFINA and the Commonwealth. The RSA is supported by senior and subordinate COFINA creditors, including AGM, representing a total of approximately $10 billion of COFINA debt, and by the Commonwealth of Puerto Rico and the Financial Oversight and Management Board for Puerto Rico (Oversight Board).

Both senior and subordinate COFINA creditors will exchange their positions for new senior closed lien COFINA bonds. Implied recoveries, including fees for parties to the RSA, will be in the mid-90% range for the senior bonds and approach 60% for the subordinate bonds. AGM expects to wrap its share of the new senior lien exchange bonds, which will be offered and sold in the public capital markets. As the insurer of $273 million of outstanding subordinate COFINA bonds, AGM believes the additive value created by attaching its insurance policy to its allocated exchange bonds will materially improve its overall recovery well above 60% and create new insurance premium for the Company.

Assured Guaranty is reserving all of its rights as a Puerto Rico general obligation bondholder with respect to both the SUT revenues allocated to the Commonwealth and other available resources of the Commonwealth. Under the Puerto Rico constitution, such revenues and resources must be used to pay general obligation debt before any other claim, debt or expense, including government expenses.

Dominic Frederico, President and CEO of Assured Guaranty Ltd., said:

This agreement among COFINA bondholders is an important step towards achieving a consensual plan of adjustment for a significant portion of Puerto Rico’s debt. For Assured Guaranty and other junior bondholders, the agreed terms represent a significantly better recovery when compared with recent market prices. Additionally, subordinated COFINA exposures will be converted to senior obligations that have investment grade characteristics and will be protected from dilutive issuance of additional senior bonds.

Importantly, senior COFINA holders should see nearly full recoveries. It follows that high levels of recovery are achievable for senior bonds of other Puerto Rico credits, which constitute the bulk of our insured Puerto Rico exposure. This is especially true and appropriate for general obligation bonds, Puerto Rico’s highest seniority debt, which are protected by the Commonwealth’s Constitution and PROMESA.

We applaud this constructive exchange led by the mediation team and the various parties involved. While there is still an irrefutable need to improve financial disclosure and implement operational and process reforms, the resolution of the treatment of the COFINA bonds clears a path for other Puerto Rico bond restructurings.

We welcome further discussions to achieve a consensual and comprehensive resolution that respects creditors’ rights, avoids further unnecessary and costly Commonwealth litigation costs – already in the millions of dollars since PROMESA began – and allows Puerto Rico to access the capital markets and revitalize its economy. We believe this announcement is a step in the right direction that potentially begins to unwind Puerto Rico’s steadily increasing legal exposure and costs.

About Assured Guaranty

Assured Guaranty Ltd. is a publicly traded (NYSE: AGO) Bermuda-based holding company. Its operating subsidiaries provide credit enhancement products to the U.S. and international public finance, infrastructure and structured finance markets. More information on Assured Guaranty Ltd. and its subsidiaries can be found at AssuredGuaranty.com.

Any forward-looking statements made in this statement reflect Assured Guaranty’s current views with respect to future events and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. These risks and uncertainties include, but are not limited to, those resulting from the failure of a Title III plan of adjustment based on the terms of the RSA to be confirmed under PROMESA; future litigation, and other risks and uncertainties that have not been identified at this time, management’s response to these factors, and other risk factors identified in Assured Guaranty’s filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made as of August 9, 2018. Assured Guaranty undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
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