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Puerto Rico Extends Millstein Pact as Federal Oversight Looms.

Puerto Rico, which triggered the biggest default in the municipal-bond market by skipping nearly \$1 billion of debt payments in July, is set to pay Millstein & Co. as much as \$8.4 million in the next year to provide outside restructuring advice.

The commonwealth extended its contract with Millco Advisors LP, an affiliate of Washington-based Millstein, through June 30, 2017, according to a review of the agreement provided by the island's Office of the Comptroller. The commonwealth's Fiscal Agency and Financial Advisory Authority is set to pay the firm as much as \$8.4 million, according to the contract.

Jane Vris, general counsel at Millstein, didn't immediately return an e-mail seeking comment on the extension.

Millstein has been advising Puerto Rico since February 2014 on how the commonwealth and its agencies can reduce its \$70 billion of debt and has been negotiating on the island's behalf with creditors. A seven-member federal control board will begin overseeing any restructuring of Puerto Rico's obligations and help end its reliance on deficit borrowing to fill budget gaps. President Barack Obama in June enacted a law, called Promesa, which means promise in Spanish, to create the control panel and establish a framework allowing the commonwealth to reduce its debt load.

Millstein has a separate \$3 million contract with Puerto Rico that runs through December and would compensate the firm if a restructuring deal is finalized.

Puerto Rico has effectively been shut-out of the capital markets since Governor Alejandro Garcia Padilla in June 2015 said it couldn't repay all of its obligations. To conserve cash to keep the government running, it has since defaulted on a growing share of its debt, including nearly \$1 billion of principal and interest due in July, the largest ever in the U.S. municipal market. Unlike many local governments, Puerto Rico isn't authorized to file for bankruptcy to reduce what it owes.

Millstein contracts totaled \$17.6 million through July 31, 2016, according to the Office of the Comptroller.

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