

Bond Case Briefs

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Puerto Rico Rescue Law to Face First Court Test From Creditors.

The new federal law that shields Puerto Rico from bondholder lawsuits will have its day in court next week.

U.S. District Judge Francisco Besosa has scheduled a hearing on Sept. 22 in San Juan on whether investors should be temporarily blocked from suing over the Puerto Rico's debt defaults, a protection Congress extended through legislation enacted in June. That federal law has given Puerto Rico time to resolve the crisis brought on by its \$70 billion of debt.

Hedge funds and insurance companies have filed suits to block Governor Alejandro Garcia Padilla's ability to skip payments to investors and use money pledged to bondholders for other purposes. While Besosa placed some of these cases on hold because of the federal law, he's scheduled a hearing for creditors and the commonwealth to weigh in.

Puerto Rico began defaulting on debt a year ago and on July 1 missed nearly \$1 billion of interest and principal that was due, marking the largest payment failure in the \$3.7 trillion municipal-bond market. Puerto Rico has been in a recession for the past decade and a record number of islanders have left to find work on the U.S. mainland.

Bradley Meyer, a partner at Ducera Partners LLC, the financial adviser to hedge funds holding Government Development Bank bonds, is set to testify in favor of allowing the lawsuits to proceed, according to a court document filed Tuesday. Meyer is expected to speak about the impact Puerto Rico's debt-moratorium law is having on creditor negotiations, according to the court document.

Adam Bergonzi, chief risk officer at National Public Finance Guarantee Corp., which insures \$3.9 billion of Puerto Rico securities, plans to testify on the effect a court-case delay will have on the insurance company.

Laura Moran, vice president at U.S. Bank Trust National Association, the bond trustee for University of Puerto Rico debt, is also set to testify. The trustee in August sued the university for redirecting revenue away from paying debt and is seeking a reprieve from the stay.

Anticipated witnesses for Puerto Rico include Elizabeth Abrams, managing director at Millstein & Co., the commonwealth's financial adviser. Abrams is set to testify on negotiations with creditors and the anticipated debt-restructuring process. Jaime Rullan Cabrera, assistant secretary of the commonwealth's Treasury Department, may speak on the island's projected financials. Andy Dillon, executive director at Conway MacKenzie, which has analyzed the island's available cash, is set to give information on the commonwealth's liquidity and financial status.

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