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Puerto Rico May Need to Skip Bond Payments for Five Years.

- **Lead lawyer tells federal court island may need a moratorium**
- **Prices of most actively traded bonds fall to a record low**

Puerto Rico is considering suspending debt-service payments for five years, a lead lawyer for the territory's federal oversight board said, in the first indication of how the devastation caused by Hurricane Maria will affect the restructuring of the island's debt.

A moratorium may be included as part of Puerto Rico's plan to reduce what it owes through bankruptcy, Martin Bienenstock, a partner at Proskauer Rose LLP who represents the panel, said at a court hearing Wednesday in Manhattan. It wasn't immediately clear whether such a step would apply to all of government's $74 billion of debt.

The government's most actively traded bonds fell Wednesday to an average of 25 cents on the dollar, the lowest since they were issued in 2014 and less than half what they were worth before the storm. The September hurricane worsened the financial pressure that had already pushed the Caribbean island of 3.4 million residents into a record-setting bankruptcy.

"It stands to be seen whether in five years they can stand back on their own feet," said Matt Dalton, chief executive officer of Rye Brook, New York-based Belle Haven Investments, which manages $6.5 billion of municipal bonds, including insured Puerto Rico debt. "If it takes them three months to get power back on in the island, saying that they can make debt payments in five years seems aggressive."

The damage so badly crippled the electricity system that much of the island is still without power and an estimated 100,000 Puerto Ricans have since left, extending the long-running exodus that's kept the economy mired in a recession.

Reeling from its economic contraction and reeling from years of borrowing to keep the government afloat, Puerto Rico began defaulting on its bonds in 2015. It filed for bankruptcy in May after the U.S. enacted an emergency rescue law that gave it power to do so and installed the federal board to help the commonwealth's government chart a financial turnaround.

Puerto Rico this year initially said it could allocate $8 billion for debt payments through 2026, far less than the $33.4 billion that's owed. Those plans have since been upended by the fallout from the hurricane, which Puerto Rico's federal oversight board estimates may leave a budget shortfall of as much as $21 billion over the next two years. Puerto Rico is currently revising the fiscal plan.

Much of the recovery will depend on the U.S. government. Governor Ricardo Rossello this week asked President Donald Trump to push for $94 billion in aid for the territory to rebuild its electricity system, homes and other leveled infrastructure.

Puerto Rico's financial recovery plans have yet to detail how any losses would be distributed among various classes of bonds backed by different legal pledges and with sometimes competing claims to the government's cash. Groups of creditors are currently fighting over that issue in court.

Jose Luis Cedeno and Edward Zayas, spokesmen for the federal oversight board, and Monica Fierres and Elliot Rivera, spokespeople for Puerto Rico's fiscal agency, didn't immediately respond to phone calls and emails seeking comment. Nor did Yennifer Alvarez, a spokeswoman for the governor.

Prices on most commonwealth securities have tumbled over the past two months. General obligations with an 8 percent coupon and maturing in 2035 fell Wednesday to 25 cents on the dollar from an average of 26.2 cents Tuesday. Some bonds trade for even less, with those issued by the infrastructure and highway agencies being exchanged for pennies on the dollar.

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