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Hedge Funds Bask in Puerto Rico Bond Deal.

Bondholders offering debt relief in \$18 billion renegotiation gain substantial profits

A small group of hedge funds are being rewarded for backing an \$18 billion restructuring of Puerto Rico's sales-tax debt that saddled other investors with losses.

Tilden Park Capital Management LP and GoldenTree Asset Management LP are among the credit-market specialists that have reaped hundreds of millions of dollars in paper profits on those revenue bonds and are poised to collect more under settlement terms that provide them with stronger claims to repayment than before, according a Wall Street Journal analysis of court records and trading information.

The deal slashed \$6 billion in value from the bonds known as Cofinas, a painful outcome for individual investors who bought them at full price starting in 2007. But as some investors gave up hope of being repaid, hedge funds bought top-ranking Cofina bonds at beaten-down prices, betting they would fare better than others in a restructuring.

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By Andrew Scurria

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