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## **Puerto Rico Bonds Show Skepticism for Relief From Treasury.**

Puerto Rico bond prices suggest that investors are doubtful of a proposal being floated that would have the U.S. Treasury assist the commonwealth in the restructuring of its debt.

General obligations maturing July 2035, the most actively-traded Puerto Rico securities in the last three months and originally sold at 93 cents on the dollar, changed hands at an average price of 74.7 cents, little changed from Wednesday, data compiled by Bloomberg show. Trades of at least \$1 million on taxable pension bonds maturing July 2038 show the bonds changed hands Thursday at an average price of 30.5 cents, up from 25 cents on Tuesday, Bloomberg data show.

"It's still new," said Gary Pollack, who manages \$6 billion of municipal debt, including Puerto Rico bonds, as head of fixed-income trading at Deutsche Bank AG's Private Wealth Management unit in New York. "It's still in its infancy, so you can't get too excited about it as a bond investor. I would hold and wait for this thing to play out more."

Puerto Rico and federal officials are discussing the possible issuance of new bonds administered by the Treasury to help restructure the commonwealth's debt, with federal officials overseeing a portion of the island's tax collections that would be used to repay the securities, a person familiar with the discussions said Wednesday. Treasury officials said in a statement Wednesday that while its inaccurate to suggest the U.S. is in talks to undertake any of Puerto Rico's obligations, it continues to work with island officials to help the commonwealth return to a sustainable economic path.

The plan would face obstacles. It may require Congressional approval and Puerto Rico's legislature would need to sign off on allowing the federal government to monitor its revenue collections and direct them to investors. Governor Alejandro Garcia Padilla's administration faced a backlash from investors after he said in June that the island could no longer afford to repay all of its obligations and would seek to delay principal payments for a number of years. Puerto Rico has also failed to gain support in Congress for legislation to allow some of its agencies to reorganize under Chapter 9 bankruptcy.

Such a restructuring plan may be too late to help Puerto Rico pay investors in December and January. Officials have said the island may run out of cash in November. The Government Development Bank owes \$354 million of principal and interest on Dec. 1, with \$267 million of bonds maturing on that date guaranteed by the commonwealth. Another \$357 million of general-obligation interest is due Jan. 1.

"It would probably take some kind of Congressional intervention in order to make this type of transaction take place," Daniel Hanson, an analyst at Height Securities, a Washington-based broker dealer, said Thursday. "And Congress certainly doesn't have the bandwidth between now and the end of the calendar year to really seriously dig into Puerto Rico."

Garcia Padilla met with Treasury officials in Washington on Wednesday to discuss the commonwealth's debt crisis, Jesus Manuel Ortiz, the governor's spokesman, told reporters Thursday

in San Juan.

“The governor emphasized the need for the government of Puerto Rico to reach some kind of structured agreement to organize its debt,” Ortiz said.

Moody’s Investors Service wrote in a report Thursday that the deepening crisis might prompt U.S. intervention at some point, though lawmakers remain wary of providing any assistance that resembles a bailout.

## **Bloomberg News**

Michelle Kaske

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