

Bond Case Briefs

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U.S. High Court Set to Act on Puerto Rico Restructuring Bid.

The U.S. Supreme Court may announce as soon as Friday whether it will hear an appeal by Puerto Rico to reinstate a law that would allow some island agencies to restructure their debts.

The high court is scheduled to review Puerto Rico's appeal during a private conference Friday, when it often issues a list of new cases. The disputed law would affect \$22 billion of Puerto Rico's \$70 billion in debt. That includes \$8.2 billion owed by the Puerto Rico Electric Power Authority, known as Prepa, which is negotiating with its creditors and would gain new leverage from a ruling upholding the law.

Puerto Rico is seeking to reduce its debt load by asking bondholders to take a loss on their investments through a debt exchange. Officials have said easing the island's debt payments would help improve the commonwealth's economy, which has shrunk by about 15 percent in the past decade. As its cash dwindles, Governor Alejandro Garcia Padilla on Monday averted a default and signed an executive order to redirect revenue that backs some agency bonds to repay direct debt of the commonwealth.

The case centers on the power of the Puerto Rican government to fill what it says is a gap in federal bankruptcy law, which bars filings by the commonwealth agencies and municipalities. If the high court agrees to hear the case, it may hear arguments in March. The high court would rule by late June.

Under federal law, states can authorize bankruptcy filings by their municipalities, including public utilities, but Puerto Rico and the District of Columbia can't. Puerto Rico sought to get around that provision in 2014 by passing a local law known as the Recovery Act, which was modeled after the federal bankruptcy code.

The commonwealth appealed to the U.S. Supreme Court in August. A U.S. appeals court rejected the Recovery Act in July, upholding a ruling by a federal trial judge in San Juan.

Puerto Rico general obligations with an 8 percent coupon and maturing July 2035 traded Thursday at an average price of 75.5 cents on the dollar, up from 71.7 cents on Monday, the day before the governor signed the executive order, data compiled by Bloomberg show. The average yield was 11.1 percent.

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