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Puerto Rico Extends Legal, Advisory Contacts After Debt Default.

Puerto Rico extended contracts worth \$3.2 million with outside restructuring firms as the commonwealth defaulted on nearly \$1 billion of principal and interest on July 1 and federal lawmakers passed legislation to oversee the island's finances.

The commonwealth continued agreements with Cleary Gottlieb Steen & Hamilton LLP and Millstein & Co. on July 1, according to a review of contracts provided by the island's Office of the Comptroller. That same day, Puerto Rico missed payments to general-obligation bondholders, the biggest default ever in the \$3.7 trillion municipal-bond market.

Cleary Gottlieb, a New York-based law firm, will earn \$2 million through June 30, 2017, for its advice as Puerto Rico seeks ways to reduce its \$70 billion debt load. The commonwealth's Fiscal Agency and Financial Advisory Authority is set to pay Millco Advisors LP, an affiliate of Washington-based Millstein & Co., \$1.2 million for financial expertise, including \$450,000 for possible expenses in any potential lawsuit or investigation regarding the firm's restructuring work with the commonwealth. The one-month contract ends July 31. Millstein has a separate \$3 million agreement with Puerto Rico that runs through December and would compensate the firm if a restructuring deal is finalized.

Shannon Lynch, a spokeswoman for Cleary Gottlieb, and Jenni Main, Millstein's chief financial officer, declined to comment.

The two firms have been advising Puerto Rico since February 2014 on how the commonwealth can reduce its obligations and negotiating on its behalf with creditors. President Barack Obama enacted on June 30 a law that creates a federal control board to oversee a restructuring of Puerto Rico debt and to monitor the island's budgets. The next day, the commonwealth defaulted on nearly \$1 billion due to bondholders, including \$780 million on general-obligation bonds.

Cleary Gottlieb contracts totaled \$24.9 million and Millstein agreements were \$16.4 million through June 30, 2016, according to the Office of the Comptroller.

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