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Puerto Rico Overseers Hit Pause on \$35 Billion Bond Restructuring.

Oversight board cites coronavirus pandemic for its action

The board overseeing Puerto Rico's finances said a push to restructure \$35 billion in debt would be paused indefinitely as the U.S. territory struggles to contain the spread of coronavirus.

The oversight board said Saturday it wouldn't move forward on a controversial proposed write-down of bond and pension liabilities while Puerto Rico focuses on stopping the spread of Covid-19 cases.

The settlement proposal is backed by competing bondholder groups and representatives of public retirees and was scheduled to be debated in court in October. The oversight board said it would adjourn those court proceedings "until further notice."

Delaying the restructuring plan puts bondholders at risk of more severe write-downs on their claims if tax revenues are depressed in the fallout from the pandemic and restructuring terms are altered. Bondholders had become more optimistic in recent months about a possible end to the bankruptcy, which began in 2017, as the oversight board built support around settlement terms.

The proposed deal, backed by investment firms including GoldenTree Asset Management LP and Aurelius Capital Management LP, would write down \$35 billion in Puerto Rico debt by 70%, to \$11 billion. Public pensions would also be scaled back, though a majority of retirees would collect their full promised benefits. Some financial creditors, including bond guarantors with billions of dollars on the line, aren't supportive of the proposal.

The broad market turmoil stemming from the pandemic has rocked municipal debt, sparking a selloff even among bonds issued by financially-stable state and local governments. The impact has been more acute for the high-yield bond funds that have sought out less creditworthy borrowers, including Puerto Rico, to generate returns. The S&P Municipal Bond Puerto Rico Index, a broad basket of the territory's debt, has declined more than 20% this month.

Public health authorities on Saturday reported the first confirmed death from Covid-19 in Puerto Rico, an Italian national who had arrived on a cruise ship. Puerto Rico has 21 confirmed cases of coronavirus as of Saturday, according to health officials.

The island territory, still coping with the devastating 2017 hurricane season, has imposed a nightly curfew, closed schools and exempted some basic necessities from sales taxes in response to the pandemic.

The oversight board, which shares power with elected leaders, said Saturday it "will provide appropriate, much needed support for those dislocated as a result of the Covid-19 situation and those that are not able to access eligible federal support."

Before the pandemic reached Puerto Rico, Gov. Wanda Vázquez and top lawmakers said they

wouldn't support the oversight board's proposal unless pension cuts were removed. Since the arrival of the pandemic, some lawmakers have advocated sending assistance payments to individuals affected by the slowdown in business activity.

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By Andrew Scurria

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