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An Indiana City's Bond May Be First to Default Because of Coronavirus.

A bond issued by Terre Haute, Ind., is believed to be the first municipal default disclosure that is related to disruptions caused by the coronavirus .

The Terre Haute disclosure is probably "the first…identifying a pending bond default due to COVID-19. Unfortunately, this is likely not the last of this category of filing, formally labeled 'Non-payment Related Default,'" according to a statement from the Municipal Securities Rulemaking Board.

Event notices tend to be a lagging indicator as they must be filed within 10 days of the triggering event.

The related bonds are the Terre Haute Economic Development Solid Waste Facility Revenue Bonds, tax-exempt series 2017a, and the Economic Development Solid Waste Facility Revenue bonds, taxable series 2017b.

Pyrolyx Indiana, which operates the facility, said that as a result of the coronavirus outbreak, it was temporarily shutting down manufacturing at its facilities in Terre Haute and Stegelitz, Germany. The Terre Haute plant produces carbon black for tires and other rubber products. As a result, Pyrolyx is unable to make loan payments to the city. The payments back the bonds.

The statement can be found here.

Barron's

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