

Bond Case Briefs

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Puerto Rico Board Ends Spat That Threatened Restructuring.

- **Oversight board says bond law allows for debt restructuring**
- **Board decision ends need for mediation with lawmakers**

Puerto Rico's debt restructuring plan can move forward as a new law that allows the island to sell bonds was cleared by the commonwealth's financial oversight board, resolving an impasse that threatened to derail the largest bankruptcy case in the municipal-market's history.

The board announced in a statement Thursday morning that the bond bill was acceptable for the debt restructuring. The decision allows both sides to skip mediation talks planned for this week to try and hash out a compromise on disagreements over changes to public worker pensions.

Puerto Rico's bankruptcy case was at risk of being tossed out. U.S. District Court Judge Laura Taylor Swain warned the parties during a hearing Monday that she may be forced to consider dismissing the bankruptcy if the commonwealth didn't have a debt restructuring plan that she could confirm promptly.

"I am relieved and pleased that we are back on track and can move forward with the plan of adjustment to end Puerto Rico's painful bankruptcy," David Skeel, the board's chairman, said in a statement Thursday. "This plan reduces Puerto Rico's debt to sustainable levels and its confirmation will provide a foundation for sustainable economic growth."

Bondholders, creditors and bond insurance companies have negotiated with the board for years to reach agreements on how to reduce Puerto Rico's obligations. The debt restructuring plan would help resolve \$33 billion of bonds and other debt, including cutting \$22 billion of bonds tied to the central government down to \$7.4 billion.

Trades Up

Prices on some Puerto Rico securities jumped following the board's decision. General obligation bonds maturing in 2035 with an 8% coupon changed hands Thursday at an average 87.5 cents on the dollar, up from 86.1 cents the day before, according to data compiled by Bloomberg.

The board late Wednesday told the court in a filing it supports the confirmation of the debt adjustment plan, which also addresses more than \$55 billion of unfunded pension liabilities. Swain is set to begin confirmation hearings on that debt cutting proposal on Nov. 8.

"Let there be no illusions," the board said in the court filing late Wednesday. "The people and the creditors have each suffered serious losses. The plan does not restore everything lost. But, the plan and the fiscal plan measures preceding it and following it, can enable the commonwealth to provide much brighter futures."

Governor Pedro Pierluisi signed the bond bill into law late Tuesday after both legislative chambers

approved the measure earlier that day.

“Puerto Rico is on the way to recovery,” Pierluisi said in a statement Thursday. “The wise decision to go ahead with the confirmation of the debt adjustment plan to make the debt restructuring of the government of Puerto Rico viable is a great step towards the promising future of Puerto Rico.”

The board and lawmakers had clashed over potential changes to pensions for public workers. The board has proposed freezing the pension benefits that current teachers and judges would receive once they retire, a change that lawmakers oppose.

A dismissal of Puerto Rico’s bankruptcy would be an expensive failure for the commonwealth. Since the island’s bankruptcy started in May 2017, lawyers, accountants and other financial professionals working on the case have billed commonwealth taxpayers more than \$960 million for their work.

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— *With assistance by Steven Church*