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Puerto Rico Bonds Rise as Judge Set to Accept Modified Debt Plan.

- **Swain orders revisions and will approve ‘promptly’ once filed**
- **Board will review judge’s changes and intends to refile**

Prices on some Puerto Rico bonds increased after the judge overseeing the island’s bankruptcy signaled she may confirm a debt-restructuring plan soon, a ruling that would allow the commonwealth to exit from more than four years of court oversight.

U.S. District Court Judge Laura Taylor Swain late Monday directed the island’s financial oversight board to revise its debt-restructuring deal by Friday and said she plans to confirm that workout plan soon after.

The judge’s changes aren’t expected to alter the debt plan dramatically. Many of her revisions involve paying eminent domain claims, which the board was already preparing to budget for, according to a court document the panel submitted on Dec. 21.

“It seems like it’s minor changes and it can be done quickly and she seems confident that she can move it ahead,” said Daniel Solender, head of municipals at Lord Abbett & Co., which manages \$36 billion of state and local debt, including Puerto Rico securities.

If Swain were to approve the debt-restructuring plan, it would mean Puerto Rico’s bankruptcy, the largest ever in the \$4 trillion municipal-bond market, would finally wind down after hurricanes, earthquakes, political turmoil and the pandemic delayed the process.

Friday Deadline

General obligations with an 8% coupon and maturing in 2035 traded Tuesday at an average 90.1 cents on the dollar, up from 89.3 cents on Monday, according to data compiled by Bloomberg.

Swain detailed changes she wants the board to make to the debt adjustment plan and submit the revised version by Friday, 11:59 p.m. Atlantic Standard Time, which is 10:59 p.m. Eastern Standard Time, according to an order filed late Monday.

Once the board files the revised plan on Friday, Swain would then “promptly” submit her confirmation order approving the debt restructuring plan, according to the judge’s order.

The oversight board is reviewing Swain’s order and intends to file the revised debt plan by Friday, Matthias Rieker, spokesperson for the board, said in a statement Monday following Swain’s order.

“The oversight board welcomes this latest progress towards confirmation of the plan, which would significantly reduce the Puerto Rico government’s total liabilities,” Rieker said in the statement.

Eased Payments

The restructuring deal would reduce \$33 billion of debt and other obligations, including cutting \$22 billion of bonds to \$7.4 billion. It would ease Puerto Rico's annual debt service payments and establish a reserve trust for its broke pension system, which owes current and future retirees an estimated \$55 billion.

Swain's revisions include treating allowed eminent domain claims as secured, rather than unsecured, and that Puerto Rico must pay the full amount of what a court determines is the value of those claims, according to the order.

Swain's order included a 149-page findings of fact and conclusions of law and a 93-page confirmation order for the plan of adjustment that the court is prepared to file "promptly" once the board submits its revised debt plan.

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