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Muni Investors Stage Rare Challenge of $1 Billion Bond Deal.

- **Investors believe university 'has no legal basis' to call debt**
- **Deal is part of a wave of planned refundings using ERP call**

A group of investors is challenging a $1 billion municipal bond refunding by the Regents of the University of California.

The bondholders said there's "no legal basis" to allow the refinancing, according to a copy of a letter seen by Bloomberg News and people with knowledge of the matter. The debt was priced on Tuesday.

The deal is part of a wave of planned refundings that would replace taxable debt sold under the Build America Bonds program more than a decade ago with lower-yielding, tax-exempt securities. Some investors are questioning their legality, which hinges on a provision in the bond documents that allows state and local governments to buy back their debt before it comes due if an extraordinary event occurs.

Continue reading.

Bloomberg Markets

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March 6, 2024

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