

Bond Case Briefs

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Puerto Rico Bankruptcy-Related Statement Filed.

The Commonwealth of Puerto Rico's ad hoc group of general obligation bondholders, Ambac Assurance, Assured Guaranty, Assured Guaranty Municipal, Mutual Fund Group, National Public Finance Guarantee and Puerto Rico Funds (collectively, "Responding Creditors") filed a statement in response to the Commonwealth's status report regarding (a) financial disclosures to creditors and (b) status of settlement discussions. Because the Responding Creditors occupy different positions in the capital structure of the Commonwealth and its instrumentalities, their interests are diverse and, in certain respects, in conflict with one another; however, the statement notes that all parties are united in their rejection of certain fundamentally misguided and misleading positions set forth by the Oversight Board the status report.

The statement notes, "The Oversight Board's Status Report rests on a breathtakingly overbroad conception of the Oversight Board's authority under the Puerto Rico Oversight, Management, and Economic Stability Act ('PROMESA'). In the Board's view, PROMESA confers upon the Board a unilateral - and unreviewable - power to dictate the amount of revenues that will be available to service the debts of the Commonwealth and its instrumentalities, through the certification of a Fiscal Plan. All that is left for creditors to do, the Oversight Board asserts, is 'negotiate to divide up the money available for debt service under the fiscal plan.'...The Oversight Board therefore contends that creditors may not even obtain discovery regarding the analyses, judgments, and projections that underlie the certified Fiscal Plan...The Oversight Board's position fundamentally misunderstands PROMESA."

In addition, "To make matters worse, Commonwealth officials have been engaging in a mad dash to pay certain creditors before a restructuring plan is proposed - trade creditors, tax refund claimants, and others are being paid in full at a rapid rate, without any regard for lawful liens or priorities. The Oversight Board's insistence that it may dictate to creditors, rather than negotiate with them, also dooms any possibility for a consensual resolution of these Title III cases."

BANKRUPTCY COMPANY NEWS

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