

Bond Case Briefs

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BANKRUPTCY - PUERTO RICO

In re Financial Oversight and Management Board for Puerto Rico

United States Court of Appeals, First Circuit - August 8, 2018 - F.3d - 2018 WL 3751014

In debt adjustment case of the Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), holders and/or issuers of \$5.3 billion of the \$8.3 billion of bonds issued by PREPA moved for stay relief to commence litigation against PREPA for the appointment of a receiver to manage the utility and seek electricity rate increases to protect bondholders' economic rights.

PREPA and the Financial Oversight and Management Board for Puerto Rico (Oversight Board) opposed motion. The United States District Court for the District of Puerto Rico denied motion. Bondholders appealed.

The Court of Appeals held that:

- The section of PROMESA governing limitation on jurisdiction and powers of court did not prohibit the district court, as a Title III court, from lifting the automatic stay to enable another court to take action interfering with the debtor's property, and
- The section of PROMESA giving the Title III court exclusive jurisdiction over the debtor's property does not prevent a Title III court from, after a determination of "cause," lifting the stay to allow a creditor to seek the appointment of a receiver in another court.