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## **Latest Plan to Rescue Puerto Rico Is Met With Dismay on Island.**

House Republicans released a draft of a rescue plan for Puerto Rico on Tuesday that they hoped could quickly garner bipartisan support and win over skeptics on the island, on Wall Street and in Congress.

The plan, being drafted by Republicans on the House Natural Resources Committee, in consultation with Democrats in Congress and the Treasury Department, calls for putting Puerto Rico's finances under a presidentially appointed oversight board — a bitter pill to many on the island.

"This discussion draft will change," said Representative Rob Bishop, Republican of Utah, who has been leading the drafting process. "We are releasing it now to encourage feedback."

The plan would also establish guidelines for restructuring some portion of Puerto Rico's \$72 billion of debt, "where necessary." While Puerto Rico would not be granted standing to seek relief in bankruptcy — something its leaders wanted — it could get some of the legal tools found in bankruptcy as long as it first jumps through a number of hoops.

Creditors' demands for immediate payment would be halted for 18 months, for example, much as creditor lawsuits are automatically stayed in bankruptcy cases. Under certain circumstances Puerto Rico would also have the authority to impose losses on unwilling creditors — an extraordinary power that is normally available only in bankruptcy. The oversight board's duties would include keeping Puerto Rico from abusing that power.

To some on the island, any federal oversight board at all is a deal-breaker.

Shortly after a summary of the committee's approach began to circulate late last week, the governor of Puerto Rico, Alejandro García Padilla, denounced it as "shameful and degrading," and something that would deprive the island "of its own government."

The president of the Puerto Rican Senate, Eduardo Bhatia, said upon reading the proposal that he was deeply offended by the way it was written, which he said "was from the 18th century," evoking "the worst colonial subjugations."

Congressional staff must work at a pace seldom seen in Washington these days, because between May 1 and July 1 Puerto Rico owes debt payments totaling around \$2.4 billion. By setting up a legal framework before that, Congress may be able to prevent the chaos and devastation of a disorderly default.

That means devising a package acceptable both to Democrats, who tend to support debt relief for Puerto Rico, and to conservative Republicans, who see debt relief as a bailout that would unacceptably reward profligacy.

Getting a bill onto President Obama's desk for signature would also mean finding common ground

with Senate Republicans, who have seemed less willing to assist Puerto Rico, citing its failure to make required financial disclosures.

Given the need to act quickly, House aides said, lawmakers were trying not to be “overly prescriptive,” and were leaving many details of the rescue plan for the five appointed and two ex-officio oversight board members to sort out. They said they hoped to have a bill ready to be introduced when Congress returns from Easter recess in April.

Mr. García Padilla has been calling Puerto Rico’s \$72 billion of debt “unpayable” for almost a year, and asking Congress for extraordinary powers to reduce it. If there had to be an oversight board in the process, the governor had envisioned it made up primarily of people from Puerto Rico.

On Saturday, he called for candidates for governor from all parties on the island to form a united front to block the package as written.

Mr. Bhatia said that as Senate president, he knew enough about the legislative process to know the package would be revised. “It has to be amended, because as written it is not going to pass,” he said.

All over the island, people have been taking on the airwaves and social media to hash out their thoughts about the rescue plan, even though almost none of them had seen a copy of it.

Large numbers seemed to disagree with the governor, saying they would accept a federal oversight board. Some said they expected federal oversight to be like surgery — painful, but necessary to Puerto Rico’s recovery.

The small but well-regarded Puerto Rico Independence Party rejected outright the governor’s calls for unified opposition, saying his longstanding support for Puerto Rico’s territorial status made unity impossible.

And in Washington, Puerto Rico’s nonvoting member of Congress, Pedro Pierluisi, said that the governor’s position was “completely unrealistic.” He said that if Puerto Rico expected Washington to help it reduce its debts, then it should not be surprised when Washington wanted a closer look.

Mr. Pierluisi, a Democrat, also said that he had found dozens of things in the draft proposal that he thought should be changed, and that he planned to keep working with the Republicans.

Investors were less vociferous than critics on the island, but they still found fault with certain parts of the rescue package.

The Mainstreet Bondholders, an organization seeking to represent small investors, expressed concern about the idea of halting creditor lawsuits. The group said it wanted reassurances that no one would get preferential treatment.

Steve Spencer, a financial adviser to creditor groups, said the most troubling aspect he could see was the rescue plan’s “broad ‘cramdown’ provision.”

Cramdowns can happen when companies declare bankruptcy under Chapter 11. They are not, in general, controversial because Chapter 11 also gives creditors legal tools to fight them. But Chapter 9 municipal bankruptcy also provides for cramdowns, and during the recent flurry of bankruptcies in places like Detroit and Stockton, Calif., creditors discovered that the law gave them no way to protect themselves.

Now, Mr. Spencer said, creditors see the same risk in the Puerto Rico rescue plan.

“The bill would retroactively eliminate an important investor protection, relied upon by millions of individual investors throughout the U.S. mainland and Puerto Rico,” he said in a statement on Tuesday. “As a result, the bill would transfer billions of dollars from retail investors and retirees to pay for Puerto Rico’s mismanagement and reckless spending.”

He said he hoped the people shaping the rescue plan would “remain open to stakeholder input — and we look forward to being a constructive part of that process.”

Mr. Pierluisi said everybody had a stake in getting a restructuring framework in place before the big defaults expected in May and July.

“If a bill does not become law, Puerto Rico and its creditors will almost certainly go over a cliff — together — this summer,” he said.

THE NEW YORK TIMES

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MARCH 29, 2016

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