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In re Financial Oversight and Management Board for Puerto Rico

United States Court of Appeals, First Circuit - February 8, 2021 - F.3d - 2021 WL 438891

In Title III debt restructuring proceedings brought pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), plan objections to the proposed adjustment plan of the Puerto Rico Sales Tax Financing Corporation (COFINA) were overruled, and plan was confirmed, by the United States District Court for the District of Puerto Rico,

Objectors appealed.

The Court of Appeals held that:

- Equitable mootness doctrine applies in Title III debt restructuring proceedings brought pursuant to PROMESA, and
- Appeals from unstayed order confirming the Puerto Rico Sales Tax Financing Corporation's (COFINA's) plan of adjustment were equitably moot.

Equitable mootness doctrine applies in municipal bankruptcy proceedings to appeals from orders confirming Chapter 9 adjustment plans; if interests of finality and reliance are paramount to the application of equitable mootness for Chapter 11 plans, then these same interests apply with greater force to a Chapter 9 plan, which can implicate substantial reliance interests, and in which there is a particular need for finality.

In Title III debt restructuring proceedings brought pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), appeals from unstayed order confirming the Puerto Rico Sales Tax Financing Corporation's (COFINA's) plan of adjustment were equitably moot, where appellants had not sought a stay at any time over the nearly two years that the plan was being implemented, and where transactions involving billions of dollars, and likely tens of thousands of individuals, had been completed in reliance on plan confirmation order; there was no relevant stand-alone component of plan that could be modified to satisfy the various plan objectors without upsetting reliance interests of innocent third parties.