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BANKRUPTCY - PUERTO RICO

In re Financial Oversight And Management Board for Puerto Rico

United States Court of Appeals, First Circuit - March 2, 2021 - F.3d - 2021 WL 791605

Order was entered the by United States District Court confirming debt adjustment plan in debt restructuring proceedings under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).

Creditors, after failing to seek a stay of order and unsuccessfully moving for reconsideration, belatedly filed notice of appeal two years after the plan was fully implemented, and debtor moved to dismiss on equitable mootness grounds.

The Court of Appeals held that appeal that creditors belatedly sought to pursue from unstayed order of district court confirming debt adjustment plan was equitably moot.

Appeal that creditors belatedly sought to pursue from unstayed order of district court confirming debt adjustment plan, in debt restructuring proceedings under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), was equitably moot more than two years after the plan had been fully implemented, and after tens of thousands of transactions worth billions of dollars had been implemented by third parties relying in good faith on finality of plan confirmation order; upsetting those transactions more than two years later to afford relief to creditors that had slept on their rights by not attempting to obtain stay would throw those transactions into doubt and unfairly harm innocent third parties.

Dismissal, as equitably moot, of appeal that creditors belatedly sought to pursue from unstayed order of district court confirming debt adjustment plan in debt restructuring proceedings under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), without addressing the merits of creditors' challenge to plan, would not violate their due process rights; creditors had opportunity to brief their case and to present oral argument on the various issues raised by their appeal.

Plan proponents were not barred, by "unclean hands" doctrine, from raising equitable mootness doctrine in order to bar creditors from belatedly appealing from unstayed order of district court confirming debt adjustment plan in debt restructuring proceedings under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), two years after the plan was fully implemented; while creditors vaguely asserted that the plan proponents had engaged in misconduct by "steamroll[ing]" the confirmation of plan, creditors received notice of the plan, objected to it in writing, participated in the confirmation hearing, and had their objection heard and addressed by the court, and were "steamrolled" only in sense that they lost quickly.