

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 - October 27, 2022 - F.4th - 2022 WL 15254099

In Title III debt restructuring proceedings brought pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), Financial Oversight and Management Board for Puerto Rico filed motion for confirmation of modified eighth amended proposed joint plan of adjustment for Commonwealth of Puerto Rico, Employees Retirement System of the Government of the Commonwealth of Puerto Rico and the Puerto Rico Public Buildings Authority.

Creditors objected.

The United States District Court for the District of Puerto Rico overruled objections, and confirmed plan.

Teachers' associations appealed and filed motions for stay pending appeal. The District Court denied stay motions.

Retirees then appealed confirmation order.

The Court of Appeals held that:

- Confirmation order did not incorporate by reference the stipulation and final judgment's invalidation of Acts and, thus, Court did not possess jurisdiction over retirees' action, and
- Retirees' failure to timely appeal stipulation and final judgment meant that Court lacked jurisdiction over retirees' action.

A passing reference in findings of fact, conclusions of law and confirmation order for plan of adjustment for Commonwealth of Puerto Rico, Employees Retirement System of the Government of the Commonwealth of Puerto Rico and the Puerto Rico Public Buildings Authority to a stipulation and final judgment approved by Title III court, which entered settlement in adversary proceeding between Financial Oversight and Management Board for Puerto Rico, the Commonwealth government, and Office of Management and Budget (OMB) agreeing that Acts permitting certain government employees to retire early and providing enhanced retirement benefits were invalidated pursuant to Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) did not amount to confirmation order's incorporation by reference of stipulation and final judgment's invalidation of Acts and, thus, Court of Appeals did not possess jurisdiction over retirees' action seeking to challenge confirmation order.

Under merger doctrine, adversary proceeding's stipulation and final judgment approved by Title III court, which entered settlement between Financial Oversight and Management Board for Puerto Rico, the Commonwealth government, and Office of Management and Budget (OMB) agreeing that Acts permitting certain government employees to retire early and providing enhanced retirement

benefits were invalidated pursuant to Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), could not be construed as part of main bankruptcy case's findings of fact, conclusions of law and confirmation order for plan of adjustment for Commonwealth of Puerto Rico, Employees Retirement System of the Government of the Commonwealth of Puerto Rico and the Puerto Rico Public Buildings Authority and, thus, retirees' failure to timely appeal stipulation and final judgment meant that Court of Appeals lacked jurisdiction over retirees' action, seeking to challenge confirmation order; adversary proceeding was separate from bankruptcy case and, upon entry of approval order, became final and immediately appealable.