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McV ALERT

Governor of Puerto Rico Files Bill for Restructuring Debt of Public Corporations

This morning the Governor of Puerto Rico has announced the filing of a bill that, if becomes law, will be titled: “the Puerto Rico Public Corporation Debt Enforcement and Recovery Act.”

The Bill contemplates two types of procedures to address a public corporation’s debt burden. The first is a consensual and voluntary debt modification procedure that would culminate in a recovery program. The second procedure is a court-supervised procedure that would culminate in an orderly debt enforcement plan. The law would not apply to public corporations expressly excluded by the Bill. To those that it applies, they can seek relief under either procedure at the same time or sequentially.

The Bill states: “This Act is designed in many respects to mirror certain key provisions of title 11 of the United States Code, and courts and stakeholders are encouraged to review and consider existing precedent under title 11 of the United States Code, where applicable, when interpreting and applying this Act.”

To become law, the Bill needs to be approved by the Puerto Rico Senate and House of Representatives on or before the close of the current legislative session which ends on June 30, 2014. It would have to then be signed by the Governor.

Although the current legislative session ends on June 30, 2014, the Governor of Puerto Rico has constitutional power to convene lawmakers for extraordinary sessions when necessary. The Bill may be considered during an extraordinary session if it is included in the agenda for the extraordinary session.

Yesterday, Senate President, Hon. Eduardo Bhatia, stated during a radio interview that: “I would favor” enacting legislation to provide a “mechanism for dialogue ... and negotiate in a serious way” with bondholders [and others], and referenced the city of Detroit.

The local government disclosed earlier this year that it hired restructuring consultants and international law firms.

For further information on these matters, you may contact any of the attorneys listed below, members of our Bankruptcy and Government Affairs Practice Teams:

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