

March 31, 2016

Legal Update

Proposed Oversight Board for Puerto Rico

The House Committee on Natural Resources released a proposed bill of the Puerto Rico Oversight, Management & Economic Stability Act (“PROMESA”) which would establish strong, independent fiscal oversight through a board of five President appointed members (“Oversight Board”), that would audit the central government and its public corporations, and address the island’s financial crisis, including the preparation of fiscal plans and budgets. The Oversight Board would be a non-elected entity within the government of Puerto Rico but not subject to the control of the Governor or Legislative Assembly.

The draft legislation calls for a period of voluntary debt-restructuring talks, provided that before any restructuring can take place the following conditions must be met: (1) the Puerto Rico government must finalize its audited financial statements; (2) a fiscal plan and budget should be in place; and (3) mandatory mediation among the various debtors and creditors. If voluntary agreements cannot be reached, the Oversight Board would have the ability to facilitate a court supervised debt restructuring where necessary, but not in the context of Chapter 9 of the U.S. Bankruptcy Code.

Among other things, the proposed bill would create a position of Revitalization Coordinator under the Oversight Board who would nominate infrastructure projects for the Oversight Board’s approval for fast track permitting and expedited regulatory processes under Puerto Rican law.

The draft legislation has generated a great deal of public discussions and is currently undergoing review by the Natural Resources Committee in the House of Representatives.

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