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Puerto Rico's Restructuring Outlook Remains Hazy

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December 10, 2015 - A request for unanimous consent made on Wednesday, December 9th in the Senate to a bill that would allow Puerto Rico to declare bankruptcy was unsuccessful. This prevents prompt passage of the proposed bill by the Senate to extend Chapter 9 of the Bankruptcy Code, which allows municipalities to declare bankruptcy but is not available to Puerto Rico due to its status as a US Commonwealth. The move does not prevent the bill from being considered and voted on through the normal Senate legislative process. Legislation to extend Chapter 9 to Puerto Rico remains pending in both the House and the Senate, but its prospects remain ambiguous adding further uncertainty to the ongoing Puerto Rico financial crisis.

This bill comes on the heels of the Supreme Court's recent decision to grant certiorari to Puerto Rico's appeal of the First Circuit's decision upholding the lower court's decision striking down the Recovery Act, a law passed by Puerto Rico to provide a bankruptcy process for some local public corporations. While the First Circuit upheld the decision striking down the Recovery Act as pre-empted by the Bankruptcy Code, its ruling has been used to support the legislative push to extend Chapter 9 to Puerto Rico.

The situation with Puerto Rico remains fluid and the HHR Bankruptcy Report will continue to monitor the situation and provide updates.

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