

March 15, 2016

## Legal Update

### *Puerto Rico Stability Act of 2016 and Puerto Rico Recovery Act of 2016*

Senator Robert “Bob” Menendez (D-N.J.) introduced two bills on Monday that, if approved, would allow for an island-wide debt restructuring, as opposed to Chapter 9 that would only address about a third of Puerto Rico’s debt.

The bills would establish a Chief Financial Officer and a Fiscal Stability and Reform Board (“Board”) comprised of nine (9) members appointed by the Puerto Rico Legislature (4), the Governor (2), the President of the United States (2) and the Puerto Rico Supreme Court (1). They require the Puerto Rico Legislature to opt in to the restructuring process by approving a resolution to that effect. As soon as such resolution is passed, it will operate as an automatic stay with respect to any claim, debt, or cause of action related to the Puerto Rico bonds for a 12-month period.

The Bills also require the Governor to present a 5-year Fiscal Plan to the Board which has to be approved by the Board in order for the Governor to submit the Commonwealth annual budget. Once the budget’s compliance with the 5-year Fiscal Plan is certified by the Board, the budget would be sent to the Legislature for consideration.

Finally, the proposal would allow U.S. Citizens residing in Puerto Rico to apply for the Federal Earned Income Tax Credit and would also provide parity of funds with respect to Medicaid and Medicare programs.

---

This communication is for information purposes only and does not constitute legal advice. This communication may be based on authorities that are subject to change and is not a substitute for professional advice or services. You should consult a qualified professional advisor before taking any action based on the information herein. This communication does not create an attorney-client relationship between Reichard & Escalera and the recipient.

[Unsubscribe.](#)



For more information on this Legal Update, please contact:

**Rafael Escalera**

[escalera@reichardescalera.com](mailto:escalera@reichardescalera.com)

787.777.8877

**Juan Carlos Méndez**

[jcmendez@reichardescalera.com](mailto:jcmendez@reichardescalera.com)

787.777.8834

**Claudia Motta**

[cmotta@reichardescalera.com](mailto:cmotta@reichardescalera.com)

787.777.8830

**Sylmarie Arizmendi**

[arizmendis@reichardescalera.com](mailto:arizmendis@reichardescalera.com)

787.777.8824