



**RESOLUTIONS ADOPTED AT THE NINTH PUBLIC MEETING OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO HELD ON AUGUST 4, 2017 IN FAJARDO, PUERTO RICO**

**Resolution # 1**

The Board confirms and approves the following Unanimous Written Consents adopted by the Board since the adjournment of the Board's last public meeting:

1. Unanimous Written Consent dated July 11, 2017 Approving Revised, Compliant Budget for the Commonwealth of Puerto Rico, as Corrected
2. Unanimous Written Consent dated July 12, 2017 Approving Certified Fiscal Plan for Government Development Bank for Puerto Rico, as Revised
3. Unanimous Written Consent dated July 12, 2017 Approving Authorization of Government Development Bank for Puerto Rico and Certification of Restructuring Support Agreement pursuant to Title VI of PROMESA.

**Resolution # 2**

Between the adjournment of this meeting and the opening of the Board's next public meeting, the Board may consider in executive session any and all matters that it is authorized to consider under PROMESA, including (1) any certification determinations authorized by PROMESA, including certification determinations under Section 206 of PROMESA, (2) any submissions or authorizations authorized by PROMESA and (3) any filings authorized under Title III of PROMESA, in each case that are set forth as part of the vote to convene such executive session. The Board may also act by unanimous written consent between meetings in accordance with the Bylaws, with such consent to include consent by email.

**Resolution # 3**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plan be submitted to the Board; (ii) the Board must review the proposed plan and determine either that it satisfies PROMESA’s requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plan be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA’s requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on August 1, 2017, the Board received a proposed fiscal plan for the Public Corporation for the Supervision and Insurance of Cooperatives (“COSSEC”); and

WHEREAS, after reviewing the proposed plan with the Governor’s representatives and analyzing and deliberating over it with the Board’s members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor’s representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board’s experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board’s concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on August 4, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board’s recommended modifications to such fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

**Amendment No. 1 – Impact of a more extensive and realistic resource plan, based primarily on updated stress scenarios.** The Fiscal Plan should be amended to include a detailed implementation plan for the COOP-SELF program that is also based primarily on the updated stress scenarios and includes sufficient human and financial resource requirements, internal and external, necessary for the success of the program. The plan should: confirm the ability to deploy resources and the processes for coordinating with internal and external partners; define the decision making process for deciding and prioritizing liquidity or capital infusions, cooperatives consolidation, or wind-down resolutions; address the potential for greater scope and speed of intervention due; and define a contingency plan if requirements for capital and liquidity assistance exceed COSSEC and partners’ resources.

**Amendment No. 2 – Long-term vision for reform.** The Fiscal Plan should be amended to include a reform plan that redefines the mission and governance of COSSEC to eliminate conflicting regulatory and insurance missions and captive governance; or moves cooperatives (after completion of the COSSEC assistance program) to federal charters and oversight under the National Credit Union Administration (“NCUA”) or another agency with expertise in the financial supervision field, such as the Office of Commissioner of Financial Institutions of Puerto Rico, or that reforms cooperative charters to reflect oversight and methodologies comparable to those of the NCUA. The goal should be a “once-and-done” approach to structural reform for both COSSEC and the cooperatives it supervises.

**Amendment No. 3 – Engagement with external partners.** The Fiscal Plan should be amended to outline the scope of activities that should be addressed through requests for external assistance from federal agencies, including the NCUA, the Office of the Commissioner of Financial Institutions of Puerto Rico or through use of external contractors. This amendment should indicate the scale of external help needed should problems in the system widen, and the sources and mechanisms for contracting should federal help be unavailable or inadequate.

**Amendment No. 4 – Governance Reform.** The composition of COSSEC’s Board of Directors (the “COSSEC Board”) may result in conflicts of interest that could prevent COSSEC from properly exercising its regulatory powers. Therefore, Act 114-2001 (as amended, the “COSSEC Enabling Act”) must be amended to provide that during the implementation of the fiscal plan the Government will constitute a committee (the “Committee”) composed of: (1) the President of the COSSEC Board; (2) the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF,” for its Spanish acronym); and (3) the Commissioner of Financial Institutions. The Committee shall marshal the regulatory and supervising expertise of the Office of the Commissioner of Financial Institutions to assist with the implementation of the fiscal plan.

The Committee shall supersede the COSSEC Board and its powers will be exercised by a majority of its three members. The term of the Committee should be coterminous with the implementation of the fiscal plan. Also, to avoid any statutory inconsistencies, any possible authorities of the Cooperative Development Commission created pursuant to Act 247-2008 related to COSSEC shall be dormant while the Committee is in effect.

**Amendment No. 5 – COOP-SELF Program; Access to Liquidity.** To facilitate the COOP-SELF program described in the fiscal plan, Act 255-2002 (as amended, the “Coops Act”) must be amended to authorize a coop to issue preferred shares in an amount in excess of the amount of its common stock.

Moreover, to provide the cooperative system access to more sources of liquidity the COSSEC Enabling Act and the Coops Act must be amended to expressly authorize COSSEC to sell the assets of a coop to a non-coop entity in the event that COSSEC orders the liquidation, consolidation or merger of such coop.

**Amendment No. 6 – COSSEC’s Oversight Authorities Relating to a Coop’s Holdings of Government Securities.** Act 220-2015 must be amended in order that COSSEC’s regulatory powers over a cooperative are not limited in any way due to a coop’s investments in bonds or notes issued by the Commonwealth or its instrumentalities.

**Implementation Plan and Revised Fiscal Plan:**

The Government shall present to the Board a plan to implement the above amendments by no later than 30 days from the date of adoption of said amendments and a revised fiscal plan that complies with the measures described in said amendments no later than 15 days thereafter, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for COSSEC pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

**Resolution # 4**

WHEREAS, the Board is tasked with providing a method for the Government of Puerto Rico to achieve fiscal responsibility and access to the capital markets, for which it is critical that the Government improves its fiscal governance, accountability and internal controls;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, the Executive Director shall:

1. Develop and present to the Board, within fifteen (15) days, proposals to implement mechanisms to ensure the effective (i) monitoring, (ii) oversight, (iii) transparency, (iv) reporting and (v) controls in relation to the consolidated liquidity position and performance against budget for the Commonwealth of Puerto Rico, and to ensure compliance with implementation of the certified Fiscal Plan.

2. The Executive Director shall also consider and recommend to the Board whether it should require the appointment of a Central Commonwealth Treasury Manager to oversee the implementation of the Executive Director’s proposals.

**Resolution # 5**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS, on March 13, 2017, after holding a public hearing, the Board certified the Governor’s proposed fiscal plan for the Commonwealth, subject to certain amendments adopted at the March 13, 2017 meeting; and

WHEREAS, on April 15, 2017 and May 31, 2017, the Board approved certain revisions to the previously certified fiscal plan for the Commonwealth and recertified the fiscal plan as so revised; and

WHEREAS the certified fiscal plan for the Commonwealth of Puerto Rico provides for the implementation of a furlough program if the Board determines in its sole discretion that certain conditions are not met; and

WHEREAS the Board has determined in its sole discretion that such conditions have not been met;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT:

1. The Government must plan for and execute a furlough program, commencing on September 1, 2017, the implementation of which must result in a net savings of at least \$218 million for fiscal year 2018.

2. The furlough program will remain active until two criteria are met: (1) the required savings of \$218 million have been achieved or are reasonably expected to be achieved based on actual fiscal year to date and projected fiscal year performance; and (2) the Oversight Board determines in its sole discretion that the Government has made material and sufficient progress toward identifying opportunities, developing plans, and beginning to execute the transformational changes required to truly right-size the Government.