



Financial Oversight and Management Board for Puerto Rico

Eighth Meeting of the Board

June 30, 2017

8:30 a.m. AST

**Sheraton Puerto Rico Hotel & Casino, 200 Convention Boulevard,
San Juan, Puerto Rico 00907**

Open the Meeting

At 8:30 a.m., Jose B. Carrion introduced himself (in Spanish and English) as Chair of the Board and welcomed all persons present to the eighth meeting of the Financial Oversight and Management Board for Puerto Rico and took a croll call to determine which members were present.

- Andrew G. Biggs
- Carlos M. García ((by conference telephone)
- Arthur J. González (by conference telephone)
- José R. González (by conference telephone)
- Ana J. Matosantos
- David A. Skeel, Jr.
- *Ex Officio* Member and Governor Rosselló-Nevarés' representative, Elías Sánchez-Sifonte

Each answered that he or she was present (in the case of Messrs. Carlos Garcia, Arthur Gonzalez and Jose Ramon Gonzalez by conference telephone). Mr. Carrion determined that a quorum was present and called the meeting to order.

Mr. Carrion asked Mr. Jaime A. El Koury, General Counsel of the Board, to act as Secretary for the meeting. Mr. El Koury agreed.

Mr. Carrion recognized the presence of:

1. **Mr. Gerardo Portela**, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority.
2. **Mr. Christian Sobrino**, President of the Government Development Bank for Puerto Rico

3. **Mr. Carlos Contreras**, Secretary of the Department of Transportation and Public Works
4. **Mr. Eli Diaz Atienza**, Executive Director of Puerto Rico Aqueduct and Sewer Authority

Mr. Carrion thanked those who were attending the seventh public meeting of the Board, in person or via the Board's website, where a livestream was available in English and a simultaneous translation in Spanish..

Mr. Carrion outlined the agenda items for the meeting:

1. **Approval of 4/28/2017 meeting minutes**
2. **Report by Board Chair**
3. **Administrative Matters**
4. **Presentation of the Budget for the Commonwealth of Puerto Rico (the "Commonwealth Budget"); Assessment and Recommendations of the Commonwealth Budget; Public Comment on the Commonwealth Budget; Discussion and Certification of the Commonwealth Budget**
5. **Discussion and Proposed Certification of Title III Proceedings for Puerto Rico Electric Power Authority (PREPA)**
6. **Presentation of the Proposed Budget for Government Development Bank for Puerto Rico (GDB); Assessment and Recommendations of the Proposed Budget for GDB; Public Comment on the Proposed Budget for GDB; Discussion and Certification of the Proposed Budget for GDB**
7. **Presentation of the Proposed Budget for Puerto Rico Highways and Transportation Authority (HTA); Assessment and Recommendations of the Proposed Budget for HTA; Public Comment on the Proposed Budget for HTA; Discussion and Certification of the Proposed Budget for HTA**
8. **Presentation of the Proposed Budget for Puerto Rico Aqueduct and Sewer Authority (PRASA); Assessment and Recommendations of the Proposed Budget for PRASA; Public Comment on the Proposed Budget for PRASA; Discussion and Certification of the Proposed Budget for PRASA**
9. **Presentation of the Proposed Budget for Puerto Rico Electric Power Authority (PREPA); Assessment and Recommendations of the Proposed Budget for PREPA; Public Comment on the Proposed Budget for PREPA; Discussion and Certification of the Proposed Budget for PREPA**

Mr. Carrion described the main areas of focus for the meeting in more detail:

(1) Presentation of the Commonwealth Budget and the Proposed Budgets for Covered Territorial Instrumentalities. On June 2, 2017, the Board approved the submission to the Legislature of the Governor's proposed budget for fiscal year 2018. In its transmission of the proposed budget to the Legislature, the Board expressed certain material concerns regarding the proposed budget and established a procedure to resolve

them. Since then, representatives of the Governor and the Legislature and the Board's experts, consultants, and attorneys engaged in extensive discussions to arrive at a common understanding about the proposed budget. On June 26, 2017, the Board received the budget adopted by the Legislature and after analyzing and deliberating over it, the Board delivered to the Legislature on June 27, 2017, a notice of violation pursuant to PROMESA § 202(d)(1)(B), in which it described the necessary corrective action to be taken by the Legislature in order to have a compliant budget and gave the Legislature the opportunity to revise the adopted budget. Today, we will hear the Governor's recommended changes to the budget that the Governor submitted for Board consideration and then proceed to present the Commonwealth Budget as revised by the Board.

In addition, the Board received proposed budgets for the covered territorial instrumentalities specified above. After reviewing the proposed budgets with the Governor's representatives and analyzing and deliberating over them, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed budgets. Thereafter, representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions to arrive at a common understanding about the proposed budgets. Today, the Government will make a presentation of the proposed budgets for these covered territorial instrumentalities, which takes into account those discussions and deliberations.

(2) Assessment and Recommendations on the Commonwealth Budget and the Proposed Budgets for Covered Territorial Instrumentalities. The Board has assessed the Commonwealth Budget and the proposed budgets for the specified covered territorial instrumentalities and will make a presentation of its assessment and certain recommendations to each of them.

(3) Discussion and Certification of Title III for PREPA. The Board will discuss the request by the Government to certify a Title III petition for PREPA.

(4) Public Comments. After each presentation, the floor will be opened for questions and comments from the audience.

(5) Discussion and Certification of the Commonwealth Budget and the Proposed Budgets for Covered Territorial Instrumentalities. Pursuant to Section 202 (e) of PROMESA, after the presentations by the Government and the Board and any public comments thereon, the Board will then proceed to discuss the Commonwealth Budget and the proposed budgets for the specified covered territorial instrumentality and vote on the certification thereof. Members of the Board will be given the opportunity to express his or her views prior to voting on certification.

Mr. Carrion explained that the Board will not be considering at the meeting either the fiscal plans or budgets of the Public Corporation for the Supervision and Deposit Insurance of

Puerto Rico Cooperatives (COSSEC) or of the University of Puerto Rico, as those plans and budgets have not been finalized.

Agenda Items

1. Approval of the Minutes of the Last Meeting

Mr. Carrion asked if there were any questions about the proposed minutes of the Board's last meeting held on April 28, 2017. There being no questions, Ms. Matosantos moved to approve the minutes in the form presented, and Mr. Garcia seconded the motion. Mr. Carrion asked for a vote by voice vote - first those in favor – then those opposed, and Mr. Carrion announced that the minutes had been approved.

2. Report by the Board Chair

- Mr. Carrion stated that the Board was established under PROMESA – the Puerto Rico Oversight, Management and Economic Stability Act - and the Board's purpose is to provide a method for Puerto Rico to achieve fiscal responsibility, including pro-growth fiscal reforms [section 701], access to the capital markets [section 101 (a)] and infrastructure revitalization [section 501]. The Board is also tasked with working with the people and Government of Puerto Rico to create the necessary foundation for economic growth and to restore opportunity to the people of Puerto Rico.
- Mr. Carrion observed that at the Board's previous public meetings he had recounted the Board's steps, as required or allowed by PROMESA, to accomplish its statutory mandates. He said he now restrict his remarks to progress made after the seventh public meeting held on April 28, 2017.
- Mr. Carrion reported that at that meeting the Board certified the fiscal plans of GDB, HTA, PRASA and PREPA, subject in some cases to certain amendments. He also reported that since that meeting, the Board and the Government had been working hard to implement the fiscal plans and their amendments as well as preparing itself to receive compliant budgets from these instrumentalities.
- Mr. Carrion stated that, as previously mentioned, the Board had approved on June 2, 2017, the submission to the Legislature of the Governor's proposed budget for the Commonwealth of Puerto Rico and had been engaged with both branches of Government since then in order to receive a compliant budget.
- Mr. Carrion also observed that, significantly since our last public meeting, the Board took actions to petition the District Court of Puerto Rico to accept Title III filings for the Commonwealth, COFINA, HTA and the Government of Puerto Rico Employees Retirement System (ERS). The Chief Justice of the United States Supreme Court

appointed Judge Laura Taylor Swain to preside over the Title III actions, and she in turn appointed five judges to mediate certain aspects of the cases.

3. Administrative Matters

Mr. Carrion provided an update to the effect that since the last meeting, the members of the Board and its staff had publicly released on the Board's website updated financial interest disclosure forms, including quarterly financial disclosures for the three-months ended on March 31, 2017. This information was reviewed by the Board's Ethics Advisor. Mr. Carrion stated that the Board's governance documents, including PROMESA itself, our Bylaws and our Code of Conduct, require disclosure of conflict of interests, an obligation the Board plans to adhere to faithfully.

Motion: David Skeel made the following motion:

Resolution: The Board (A) 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 May 3, 2017 Approving and Issuing Certifications Pursuant to Sections 104 and 206 of PROMESA for the Commonwealth of Puerto Rico**
- 2. Unanimous Written Consent dated May 3, 2017 Repealing Resolutions Adopted May 1, 2017 (COFINA)**
- 3. Unanimous Written Consent dated May 5, 2017 Delegating Authority to Issue Procedural Guidelines for Maintaining the Confidence of Investigatory Records Compiled for Law Enforcement Purposes**
- 4. Unanimous Written Consent dated May 5, 2017 Approving and Issuing Certifications Pursuant to Sections 104 and 206 of PROMESA for the Puerto Rico Sales Tax Financing Corporation (COFINA)**
- 5. Unanimous Written Consent dated May 21, 2017 Approving and Issuing Certifications Pursuant to Sections 104 and 206 of PROMESA for the Puerto Rico Highways and Transportation Authority (HTA)**
- 6. Unanimous Written Consent dated May 21, 2017 Approving and Issuing Certifications Pursuant to Sections 104 and 206 of PROMESA for the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS)**
- 7. Unanimous Written Consent dated May 21, 2017 Approving Certified Fiscal Plan, as Corrected**

8. Unanimous Written Consent dated May 31, 2017 Approving Submission of the Commonwealth's Fiscal Year 2018 Budget to the Legislature; and

(B) confirms that the Board made the following determinations since the adjournment of the Board's last public meeting:

- **not to certify the Restructuring Support Agreement (the "RSA") of the Puerto Rico Electric Power Authority ("PREPA") pursuant to PROMESA section 104(i)(1);**
- **not to certify the RSA pursuant to PROMESA section 601(g)(2)(A) or 601(g)(2)(B);**
- **not to approve the issuances of debt embodied in the RSA pursuant to PROMESA section 207; and**
- **not to authorize PREPA, pursuant to PROMESA section 601(e), to be eligible to avail itself of the procedures under PROMESA section 601**
- **not to acknowledge the RSA as an agreement eligible for certification or qualification under PROMESA as a preexisting voluntary agreement, due to its open terms and failure to provide for material components of a restructuring, including the financing of its closing and environmental requirements costing over \$500 million.**

Ana Matosantos seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Motion: Andrew Biggs made the following motion:

Resolution: 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.

José González seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

4. Presentation of the Commonwealth Budget; Assessment and Recommendations on the Commonwealth Budget

Mr. Carrion invited the Governor's representative to the Board, Elias Sanchez, to explain the recommended changes to the budget that the Governor submitted for Board consideration.

Mr. Sanchez explained the proposed revisions.

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to describe any additional recommendations for revisions to the budget that the Board should incorporate.

Ms. Jaresko proceeded to say that she concurred with the recommendations proposed by the government with the following two exceptions (1) that as to item 27 in Resolution 187 cuts needed to be made across the board and proportionately equivalent to a 13.37% cut so that no single line item is cut capriciously or arbitrarily and (2) the Board did not accept the use or elimination of the appropriation for the settlement with the milk producers of \$15 million to offset the required reductions to the Legislature's budget, and proposed that those revisions get incorporated into the Commonwealth budget presented at the meeting.

She continued stating that this year's budget reflects public policy choices determined by the Government, and is the first constructed under PROMESA. In addition, she said that the budget (1) must be realistic, implementable, and consistent with the Fiscal Plan in both form and spirit, (2) is intended to begin the process of reducing the size of spending in the government and legislature and (3) was designed to include a more realistic assessment of revenues, spending, the continuation of critical services, and efforts to improve financial reporting.

Ms. Jaresko explained that, to that end, she was proposing two additional recommendations for inclusion in the final budget:

(1) The first is a \$13 million reduction in the legislative branch's total appropriation. This reduction would ensure the legislative branch, like all other government agencies, shares in the sacrifices all parties are making to achieve fiscal responsibility.

(2) The second recommendation is to insert several technical changes for additional budgetary oversight and controls.

She stated that these revisions would: First, allocate appropriations to the judiciary branch on a schedule consistent with the other branches of government; secondly, permit the release of matching federal grants from OMB's custody upon certification the U.S. government has

allocated federal funds; and finally, enable the Board to review progress and determine if additional measures, such as furloughs and Christmas bonus reductions or eliminations, are required to make the budget compliant with the Fiscal Plan.

Ms. Jaresko then invited Board advisors **Mr. Juan Santambrogio** and **Mr. Adam Chepenik** of **Ernst & Young**, to describe the process by which the Board reviewed and assessed the Commonwealth Budget and present more information on the contents of the budget under review at the meeting.

Mr. Adam Chepenik stated that he is a Principal at Ernst & Young, and that he was joined by Juan Santambrogio, an Executive Director at the Firm. He explained that they were retained by the Board to serve as an advisor and to provide assistance in the Board's assessment of proposed budgets and other financial and economic analysis. He then provided an overview of the Board's recommendations with regard to the FY18 budget.

5. Public Comment on the Commonwealth Budget

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

6. Discussion and Certification of the Commonwealth Budget

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the Commonwealth Budget, certain Board members will express their individual views.

On the basis of the report presented by the Board's Executive Director on the Commonwealth Budget, and her recommendations thereon, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

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 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of a compliant budget for the Commonwealth of Puerto Rico; 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 30, 2017, the Governor submitted a proposed budget for the Commonwealth for fiscal year 2018; and

WHEREAS, on 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, on June 2, 2017, the Board approved the aggregate spending level in the Governor's proposed budget, but not its specific allocations, including but not limited to earmarks for discretionary spending, for purposes of submission to the Legislature pursuant to section 202(c)(1) of PROMESA, and the Board submitted the budget to the Legislature pursuant to section 202(c)(1)(A)(ii) of PROMESA; and

WHEREAS the Legislature held hearings on the budget and, after deliberation, submitted the budget to the Board pursuant to section 202(d)(1) of PROMESA; and

WHEREAS the Board and its consultants, advisors, and attorneys reviewed the Legislature's Territory Budget pursuant to section 202(d)(1) of PROMESA and determined that it does not comply with the previously certified fiscal plan; and

WHEREAS, pursuant to section 202(d)(1)(B) of PROMESA, on June 27, 2017, the Board issued a notice of violation that included a description of necessary corrective action, and the Board gave the Legislature an opportunity to correct the violations by June 29, 2017; and

WHEREAS, by such date, the Legislature had failed to adopt a budget that the Board determined to be a compliant budget; and

WHEREAS the Board has revised the Territory Budget for submission as a revised, compliant Territory Budget to the Governor and the Legislature pursuant to sections 202(d)(2) and 202(e)(3) of PROMESA;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to section 202(e)(3) of PROMESA, the Board shall submit to the Governor and the Legislature pursuant to sections 202(d)(2) and 202(e)(3) of PROMESA its revised, compliant Territory Budget, and such Territory Budget shall be (i) deemed to be approved by the Governor and the Legislature, (ii) the subject of a compliance certification to be issued by the Board to the Governor and the Legislature, and (iii) in full force and effect beginning on July 1, 2017.

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

7. Presentation of Proposed Certification of a Title III Petition for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion then provided background to the discussion and consideration of a Title III petition for PREPA, as requested by the Government. He explained the actions of the Board until then with respect to PREPA, and in particular the RSA that was presented to the Board for its consideration, as follows:

The Board reviewed, analyzed and deliberated at length over the PREPA RSA. For many reasons, the Board did not certify it and did not authorize use of Title VI to implement it. Those reasons include:

1. The RSA did not appear to be a complete arrangement constituting a preexisting voluntary agreement under PROMESA because it had significant open issues;
2. Neither PREPA nor the Commonwealth showed how the RSA could be closed, given that over \$500 million was needed for closing costs and a gas port to satisfy environmental requirements, among other expenses.
3. The RSA created a significant risk it would push electric prices materially higher and endanger the entire PROMESA mission of eliminating the fiscal emergency. By making it more expensive to live and do business in Puerto Rico, the RSA made it even harder to turn around the Commonwealth's negative economic growth over the last decade. If that cannot be changed to sufficient positive growth, no restructuring can be successful.
4. PREPA has a pension plan underfunded by approximately \$2.2 billion and inefficient labor agreements. Neither of those issues can be resolved in Title VI.
5. The Oversight Board explained to the PREPA creditors how they could change the RSA to satisfy the foregoing concerns while retaining most of their economic bargain, but they declined to make changes.

Mr. Carrion then asked, in light of this background, the Board's Executive Director, Ms. Natalie Jaresko, to present to the Board her recommendations regarding certification by the Board of a Title III petition for PREPA, as requested by the Government.

Ms. Jaresko stated that given the current situation and the attendant risks facing PREPA, she recommended that the Board proceed to consider and vote on a resolution authorizing the filing of a Title III petition for PREPA. Notably, she added, there are on-going negotiations with the creditors, which we are hopeful will progress and which may affect the timing of the Title III case.

8. Public Comment on the Proposed Certification of Title III Petition for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

9. Discussion and Proposed Certification of a Title III Petition for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify a Title III petition for PREPA, certain Board members will express their individual views.

On the basis of the recommendations by the Board's Executive Director on the proposed certification of a Title III petition for PREPA, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

WHEREAS on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("**PROMESA**")¹ was enacted; and

WHEREAS Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the "**Oversight Board**"); and

WHEREAS on September 30, 2016, Puerto Rico Electric Power Authority ("**PREPA**") was designated by the Oversight Board as a Covered Territorial Instrumentality pursuant to Section 101(d)(1)(A) of PROMESA; and

WHEREAS the Oversight Board has been advised that PREPA desires to effect a plan to adjust its debts pursuant to Title III of PROMESA; and

WHEREAS in connection with the commencement of a Title III case for PREPA, the Oversight Board is required (i) pursuant to Section 206 of PROMESA, to make certain

¹ Capitalized terms used but not defined herein have the definitions given to them in PROMESA.

Restructuring Determinations (as defined below) and to issue a restructuring certification as to such determinations, and (ii) pursuant to Section 104(j) of PROMESA, to certify the filing by PREPA of a voluntary petition under Title III of PROMESA; and

WHEREAS following discussions with PREPA and its legal and financial advisors, and after consultation with the Oversight Board’s legal and financial advisors, and following extensive deliberation, the Oversight Board has determined, in its sole discretion, that (1) PREPA has made good-faith efforts to reach a consensual restructuring with creditors; (2) PREPA has adopted procedures necessary to deliver timely audited financial statements and made public draft financial statements and other information sufficient for any interested person to make an informed decision with respect to a possible restructuring; (3) PREPA is a Covered Territorial Instrumentality that is subject to a Territory Fiscal Plan certified by the Oversight Board; and (4) no order approving a Qualifying Modification under Section 601 of PROMESA has been entered with respect to PREPA (the foregoing determinations, the “**Restructuring Determinations**”); and

WHEREAS following discussions with PREPA and its legal and financial advisors, and after consultation with the Oversight Board’s legal and financial advisors, and following extensive deliberation, the Oversight Board has determined it is necessary and appropriate in order to protect the residents of Puerto Rico, and in the best interests of the creditors of PREPA, for a voluntary petition under Title III of PROMESA to be filed for PREPA in the United States District Court for the District of Puerto Rico (the “**District Court**”); and

WHEREAS it is the Oversight Board’s intention in making its determinations in connection with such Title III filing (1) that such filing should not preclude efforts to implement consensual debt restructurings if possible and practicable, and (2) to continue negotiations with the creditors of PREPA with a view to implementing consensual debt restructurings to the extent possible and appropriate;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Oversight Board approves and certifies the Restructuring Determinations pursuant to Section 206 of PROMESA; and it is further

RESOLVED that, pursuant to Section 104(j) of PROMESA, the Oversight Board approves and certifies the filing in the District Court of a voluntary petition under Title III of PROMESA for PREPA at such time as the Chair or Executive Director of the Oversight Board determines to be appropriate; and it is further

RESOLVED that, for the avoidance of doubt, these resolutions shall constitute (i) the restructuring certificate required to be issued by the Oversight Board pursuant to Section 206 of PROMESA, and (ii) the certification required to be issued by the Oversight Board for the filing of a Title III petition for PREPA pursuant to Section 104(j) of PROMESA; and it is further

RESOLVED that the Executive Director, General Counsel and any other officer of the Oversight Board now or hereafter appointed by the Oversight Board (each, an “**Authorized Officer**”) shall be, and each hereby is, authorized and empowered to execute and publish (including by attaching a copy thereof to a Title III petition filed for PREPA) a certificate or certificates that certify (i) the Restructuring Determinations of the Oversight Board pursuant to

Section 206 of PROMESA, (ii) the filing of a Title III petition for PREPA pursuant to Section 104(j) of PROMESA, and (iii) the other approvals and authorizations of the Oversight Board set forth in these resolutions; and it is further

RESOLVED that each Authorized Officer shall be, and each hereby is, authorized and empowered to execute and file in the name and on behalf of Oversight Board, as the “representative” of PREPA pursuant to Section 315 of PROMESA, all petitions (including, but not limited to, a Title III petition), schedules, motions, lists, applications, pleadings, affidavits and other papers to be filed in the District Court (and in such other courts of competent jurisdiction as may be applicable), and, in connection therewith, to employ and retain all assistance by legal counsel, accountants, financial advisors, investment bankers and other professionals, and take and perform any and all further acts and deeds which such Authorized Officer deems necessary, proper, or desirable in connection with PREPA’s Title III case.

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. Andrew Biggs seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

10. Presentation of the Proposed Budget for Government Development Bank for Puerto Rico (GDB)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed budget for Government Development Bank for Puerto Rico (GDB), together with Mr. Christian Sobrino, President of GDB. After their presentation, the Board proceeded to ask questions about the budget.

11. Assessment and Recommendations on the Proposed Budget for Government Development Bank for Puerto Rico (GDB)

Mr. Carrion then asked the Board’s Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed GDB’s proposed budget and to present to the Board certain recommendations to the budget.

Ms. Jaresko then made the following remarks:

Ms. Jaresko said she will first describe the general process through which the Board reviewed and assessed the budgets of GDB and the other instrumentalities to be discussed at the meeting, and then turn to her recommendation for the GDB’s proposed budget.

The Board reviewed the budgets for consistency with the certified versions of the instrumentalities’ fiscal plans, and against any in-progress and submitted amendments that the Board has received since those certifications. To the best information available at the

time, the budgets were also reviewed for consistency with the Commonwealth Fiscal Plan and Budget.

The Board has also engaged the Government and its instrumentalities to share its initial guidance on revisions to the budgets, and the Government and its instrumentalities have responded to some of this initial guidance and revised their budgets in turn.

As to the GDB budget specifically, the GDB budget presents operating expenses consistent with the wind-down scenario described in the GDB fiscal plan. While certain items are still subject to ongoing negotiations and discussions, she recommended that the Board certify the budget, with the understanding that any revisions to future fiscal plans would entail an amendment to the budget as well.

12. Public Comment on the Proposed Budget for Government Development Bank for Puerto Rico (GDB)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

13. Discussion and Certification of the Proposed Budget for Government Development Bank for Puerto Rico (GDB)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the budget for GDB, certain Board members will express their individual views.

On the basis of the recommendations by the Board's Executive Director on the proposed budget for GDB, and her recommendations thereon, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

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 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board's sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, on April 28, 2017, after holding a public hearing, the Board certified the Governor's proposed fiscal plan for the Government Development Bank for Puerto Rico (the "GDB"); and

WHEREAS, on June 19, 2017, the Governor submitted to the Board a proposed budget for GDB for fiscal year 2018; and

WHEREAS the Governor, the Board, GDB, and their representatives, consultants, advisors, and attorneys engaged in extensive discussions about the proposed budget; and

WHEREAS the Board is satisfied that the most recent version of the proposed budget complies with the fiscal plan that the Board previously certified for GDB; and

WHEREAS the previously certified fiscal plan will likely be revised in the near future, but any such revisions have not yet been finalized by GDB or certified by the Board; and

WHEREAS, if the Board certifies a revised fiscal plan, or develops and submits its own revised fiscal plan, the Board intends to ensure under section 202(a) of PROMESA that the certified budget be revised to conform to the revised fiscal plan;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to sections 202(c)(1)(A) and 202(e)(2) of PROMESA, the Board approves and certifies the Governor's proposed budget for GDB as compliant with the fiscal plan previously certified for GDB; and it is

FURTHER RESOLVED THAT, pursuant to section 202(e)(2) of PROMESA, the Board shall issue a compliance certification to the Governor; and it is

FURTHER RESOLVED THAT this certification is subject to any subsequent changes that might be made in a revised fiscal plan for GDB if the Board certifies any such revised fiscal plan or develops and submits its own revised fiscal plan; and it is

FURTHER RESOLVED THAT, if the Governor proposes a revised fiscal plan and if the Board certifies that revised plan, or if the Board develops and submits its own revised fiscal plan for GDB, the certified budget must be revised to comply with any such revised fiscal plan.

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

14. Presentation of the Proposed Budget for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed budget for Puerto Rico Highways and Transportation Authority (HTA), together with Mr. Carlos Contreras, Secretary of the Department of Transportation and Public Works. After their presentation, the Board proceeded to ask questions about the budget.

15. Assessment and Recommendations on the Proposed Budget for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed HTA's proposed budget and to present to the Board certain recommendations to the budget.

Ms. Jaresko then made the following remarks:

The HTA budget presents revenues, operating expenses, and construction expenses largely consistent with the HTA fiscal plan and its in-progress amendments. Given the non-final nature of current amendments to the fiscal plan, she recommended that this Board certify the budget, requiring the budget to be amended to conform with the Amendments to the fiscal plan once finalized and certified, and that these steps be completed within 45 days from the date of the meeting.

16. Public Comment on the Proposed Budget for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

17. Discussion and Certification of the Proposed Budget for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the budget for HTA, certain Board members will express their individual views.

On the basis of the recommendations by the Board's Executive Director on the proposed budget for HTA, and her recommendations thereon, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

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 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board's sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, on April 28, 2017, after holding a public hearing, the Board certified the Governor's proposed fiscal plan for the Puerto Rico Highways and Transportation Authority (the "HTA"), with certain amendments; and

WHEREAS, on June 19, 2017, the Governor submitted to the Board a proposed budget for HTA for fiscal year 2018; and

WHEREAS the Governor, the Board, HTA, and their representatives, consultants, advisors, and attorneys engaged in extensive discussions about the proposed budget; and

WHEREAS the Board is satisfied that the most recent version of the proposed budget complies with the fiscal plan (with the amendments) that the Board previously certified for HTA; and

WHEREAS the previously certified fiscal plan will likely be revised in the near future, but any such revisions have not yet been finalized by HTA or certified by the Board; and

WHEREAS, if the Board certifies a revised fiscal plan, or develops and submits its own revised fiscal plan, the Board intends to ensure under section 202(a) of PROMESA that the certified budget be revised to conform to the revised fiscal plan;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to sections 202(c)(1)(A) and 202(e)(2) of PROMESA, the Board approves and certifies the Governor's proposed budget for HTA as compliant with the fiscal plan previously certified for HTA; and it is

FURTHER RESOLVED THAT, pursuant to section 202(e)(2) of PROMESA, the Board shall issue a compliance certification to the Governor; and it is

FURTHER RESOLVED THAT pursuant to Section 201(a), the Governor shall present to the Board within the 45 days from the date hereof a revised fiscal plan for HTA that incorporates the amendments included in the resolution adopted by the Board on April 28 certifying the fiscal plan for HTA; and it is

FURTHER RESOLVED THAT this certification is subject to any subsequent changes that might be made in a revised fiscal plan for HTA if the Board certifies any such revised fiscal plan or develops and submits its own revised fiscal plan; and it is

FURTHER RESOLVED THAT, if the Governor proposes a revised fiscal plan and if the Board certifies that revised plan, or if the Board develops and submits its own revised fiscal plan for HTA, the certified budget must be revised to comply with any such revised fiscal plan.

Mr. Andrew Biggs moved that the resolution be approved.

Mr. Carlos Garcia seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

18. Presentation of the Proposed Budget for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed budget for Puerto Rico Aqueduct and Sewer Authority (PRASA), together with Mr. Eli Diaz Atienza, Executive Director of PRASA. After their presentation, the Board proceeded to ask questions about the budget.

19. Assessment and Recommendations on the Proposed Budget Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed PRASA's proposed budget and to present to the Board certain recommendations to the budget.

Ms. Jaresko then made the following remarks:

The PRASA budget presents revenues, operating expenses, and capital expenses consistent with the PRASA fiscal plan. However, it includes a level of detail greater than that of the Fiscal Plan. To ensure consistency and performance against the overall targets of the fiscal plan, she recommended that the Board certify the budget, requiring the budget to be amended to conform with the Amendments to the fiscal plan once finalized and certified, further amending the fiscal plan to reflect line item details consistent with the level of the budget, and to complete these steps within 45 days from today.

20. Public Comment on the Proposed Budget for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

21. Discussion and Certification of the Proposed Budget Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the budget for PRASA, certain Board members will express their individual views.

On the basis of the recommendations by the Board's Executive Director on the proposed budget for PRASA, and her recommendations thereon, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

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 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board’s sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, on April 28, 2017, after holding a public hearing, the Board certified the Governor’s proposed fiscal plan for the Puerto Rico Aqueduct and Sewer Authority (“PRASA”), with certain amendments; and

WHEREAS, on June 19, 2017, the Governor submitted to the Board a proposed budget for PRASA for fiscal year 2018; and

WHEREAS the Governor, the Board, PRASA, and their representatives, consultants, advisors, and attorneys engaged in extensive discussions about the proposed budget; and

WHEREAS the Board is satisfied that the most recent version of the proposed budget complies with the fiscal plan (with the amendments) that the Board previously certified for PRASA; and

WHEREAS the previously certified fiscal plan will likely be revised in the near future, but any such revisions have not yet been finalized by PRASA or certified by the Board; and

WHEREAS, if the Board certifies a revised fiscal plan, or develops and submits its own revised fiscal plan, the Board intends to ensure under section 202(a) of PROMESA that the certified budget be revised to conform to the revised fiscal plan;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to sections 202(c)(1)(A) and 202(e)(2) of PROMESA, the Board approves and certifies the Governor’s proposed budget for PRASA as compliant with the fiscal plan previously certified for PRASA; and it is

FURTHER RESOLVED THAT, pursuant to section 202(e)(2) of PROMESA, the Board shall issue a compliance certification to the Governor; and it is

FURTHER RESOLVED THAT pursuant to Section 201(a), the Governor shall present to the Board within the 45 days from the date hereof a revised fiscal plan for PRASA that (i)

incorporates the amendments included in the resolution adopted by the Board on April 28 certifying the fiscal plan for PRASA and (ii) reflects line items consistent with the budget being certified on the date hereof; and it is

FURTHER RESOLVED THAT this certification is subject to any subsequent changes that might be made in a revised fiscal plan for PRASA if the Board certifies any such revised fiscal plan or develops and submits its own revised fiscal plan; and it is

FURTHER RESOLVED THAT, if the Governor proposes a revised fiscal plan and if the Board certifies that revised plan, or if the Board develops and submits its own revised fiscal plan for PRASA, the certified budget must be revised to comply with any such revised fiscal plan.

Ms. Ana Matosantos moved that the resolution be approved.

Mr. Andrew Biggs seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announces that the Resolution passed unanimously.

22. Presentation of the Proposed Budget for Puerto Rico Electric Power Authority (PREPA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed budget for Puerto Rico Electric Power Authority (PREPA), together with Mr. Nelson Morales, Chief Financial Officer of PREPA. After their presentation, the Board proceeded to ask questions about the budget.

23. Assessment and Recommendations on the Proposed Budget for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed PREPA's proposed budget and to present to the Board certain recommendations to the budget.

Ms. Jaresko then made the following remarks:

The PREPA budget presents revenues, operating expenses, and capital expenses largely consistent with the PREPA fiscal plan. However, the budget includes certain expenses and revenues that reflect assumptions that were updated since the certified Fiscal Plan and that will be amended as part of the Fiscal Plan's revisions. She recommended that the budget and

the fiscal plan be amended to (i) conform to the Amendments to the fiscal plan once they are finalized and certified and (ii) reflect the determinations made by the Board to date (including as of the date hereof) , and to complete these steps within 45 days from today.

24. Public Comment on the Proposed Budget for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

25. Discussion and Certification of the Proposed Budget for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the budget for PREPA, certain Board members will express their individual views.

On the basis of the recommendations by the Board's Executive Director on the proposed budget for PREPA, and her recommendations thereon, Mr. Carrion requested the Board's Executive Director whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

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 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board's sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, on April 28, 2017, after holding a public hearing, the Board certified the Governor's proposed fiscal plan for the Puerto Rico Electric Power Authority ("PREPA"), with certain amendments; and

WHEREAS, on June 19, 2017, the Governor submitted to the Board a proposed budget for PREPA for fiscal year 2018; and

WHEREAS the Governor, the Board, PREPA, and their representatives, consultants, advisors, and attorneys engaged in extensive discussions about the proposed budget; and

WHEREAS the Board is satisfied that the most recent version of the proposed budget complies with the fiscal plan (with the amendments) that the Board previously certified for PREPA; and

WHEREAS the previously certified fiscal plan will be revised in the near future to (i) conform to the amendments to the fiscal plan certified on April 28, 2017 and (ii) reflect the determinations made by the Board to date (including as of the date hereof), but any such revisions have not yet been finalized by PREPA or certified by the Board; and

WHEREAS, when the Board certifies a revised fiscal plan, or develops and submits its own revised fiscal plan, the Board intends to ensure under section 202(a) of PROMESA that the certified budget be revised to conform to the revised fiscal plan;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to sections 202(c)(1)(A) and 202(e)(2) of PROMESA, the Board approves and certifies the Governor's proposed budget for PREPA as compliant with the fiscal plan previously certified for PREPA, subject to the revisions required to be effected pursuant to this resolution; and it is

FURTHER RESOLVED THAT, pursuant to section 202(e)(2) of PROMESA, the Board shall issue a compliance certification to the Governor; and it is

FURTHER RESOLVED THAT pursuant to Sections 201(a) and 202(a) of PROMESA, the Governor shall present to the Board within the 45 days from the date hereof a revised fiscal plan and a revised budget for PREPA that incorporate the amendments included in the resolution adopted by the Board on April 28, 2017 certifying the fiscal plan for PREPA and the determinations made by the Board to date (including as of the date hereof); and it is

FURTHER RESOLVED THAT this certification is subject to any subsequent changes that might be made in a revised fiscal plan for PREPA if the Board certifies any such revised fiscal plan or develops and submits its own revised fiscal plan; and it is

FURTHER RESOLVED THAT, if the Governor proposes a revised fiscal plan and if the Board certifies that revised plan, or if the Board develops and submits its own revised fiscal plan for PREPA, the certified budget must be revised to comply with any such revised fiscal plan.

Mr. Carlos Garcia moved that the resolution be approved.

Mr. Andrew Biggs seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Adjournment

Motion: With no further matters to discuss, Mr. Carrion moved to adjourn the meeting.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor– then those opposed.

Mr. Carrion concluded that with all members having voted in favor, the meeting was adjourned at approximately 11:05 a.m.

Adjournment

Respectfully submitted,

s/Jaime A. El Koury

Jaime A. El Koury

Acting Secretary