

**COMMONWEALTH OF PUERTO RICO  
LA FORTALEZA  
SAN JUAN, PUERTO RICO**

**Administrative Bulletin Num. OE-2016-010**

**EXECUTIVE ORDER ISSUED BY THE GOVERNOR OF THE COMMONWEALTH OF PUERTO RICO, HON. ALEJANDRO J. GARCÍA PADILLA, PURSUANT TO SECTIONS 201 AND 203 OF ACT NO. 21-2016, KNOWN AS THE “PUERTO RICO EMERGENCY MORATORIUM AND FINANCIAL REHABILITATION ACT,” TO DECLARE AN EMERGENCY PERIOD FOR GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO, ADDRESS THE DISBURSEMENT OF DEPOSITS AND LOANS BY SUCH BANK AND ORDER THE IMPLEMENTATION OF OTHER MEASURES THAT ARE REASONABLE AND NECESSARY TO ENABLE SUCH BANK TO CONTINUE CARRYING OUT ITS OPERATIONS**

**WHEREAS:** This Administration has taken historic measures to address the current fiscal crisis by reducing government expenses, increasing revenues and implementing structural changes. Notwithstanding such efforts, the Government of Puerto Rico continues to face severe fiscal and liquidity challenges. Similar challenges have also adversely affected Government Development Bank for Puerto Rico (“GDB”).

**WHEREAS:** During the past months, GDB has been implementing extraordinary cash management measures in order to preserve and maximize its liquidity and continue its operations, which are essential to the overall operations of the Government of the Commonwealth of Puerto Rico (the “Commonwealth”). Notwithstanding such efforts, GDB’s financial condition has continued to deteriorate and, absent the measures ordered in this Executive Order, there is an imminent risk of a drastic decrease in GDB’s liquidity in the immediate term. This, in turn, would jeopardize the provision of essential services by the Commonwealth and the Commonwealth’s agencies, public corporations and instrumentalities (collectively, the “Commonwealth Entities,” and each a “Commonwealth Entity”) that are also depositors of GDB.

**WHEREAS:** As has been publicly announced, the Commonwealth and GDB are engaged in negotiations with a significant portion of the holders of their debt and that of other Commonwealth Entities to achieve a comprehensive debt restructuring in order to

address the immediate liquidity challenges of the Commonwealth, the Commonwealth Entities, and the GDB, and achieve sustainable levels of debt service in the long-term. Any such restructuring transaction, however, will take time to implement and, in the meantime, the Commonwealth has a duty to take any and all actions reasonable and necessary to protect the health, safety and welfare of its residents by ensuring the continuation of essential services.

**WHEREAS:** On April 6, 2016, I signed into law Act 21-2016, known as the “Puerto Rico Emergency Moratorium and Financial Rehabilitation Act” (the “Act”). Section 201 and Section 203 of the Act, respectively, authorize me to declare a state of emergency for GDB in order to protect the health, safety and welfare of the residents of the Commonwealth and to take any and all actions that are reasonable and necessary to allow GDB to continue carrying out its operations. All actions authorized herein are reasonable and necessary to achieve such purposes and are in the best interests of the Commonwealth, GDB and all stakeholders, including GDB creditors.

**WHEREFORE:** I, ALEJANDRO J. GARCÍA PADILLA, Governor of the Commonwealth, by virtue of the inherent powers of my position and the authority vested in me by the Constitution and the laws of the Commonwealth, do hereby order as follow:

**FIRST:** Pursuant to Section 201 of the Act, I hereby declare that GDB is in a state of emergency and announce the commencement, as of the date of this Executive Order, of an emergency period (as defined in the Act) for GDB in order to protect the public health, safety and welfare of the residents of Puerto Rico. Notwithstanding the declaration of an emergency period for GDB pursuant to this Executive Order, other than as prescribed herein, this Executive Order does not impose a moratorium on any obligations of GDB pursuant to Section 202 of the Act, including, without limitation, outstanding notes of GDB. GDB shall continue discussions with its noteholders in an effort to come to a reasonable agreement regarding the obligations of GDB. GDB shall provide periodic updates to me so that I remain informed of the status of these discussions. Nothing in this Executive Order shall be construed as limiting GDB’s ability to



pay operating expenses and other ordinary course disbursements, as determined by GDB. This Executive Order does not declare an emergency period for the Commonwealth or for any Commonwealth Entity, other than GDB.

**SECOND:**

I hereby order the creation of the “Government Development Bank for Puerto Rico Disbursements Committee” (the “Disbursements Committee”), which shall be comprised of one representative of each of the Department of Treasury, the Office of Management and Budget of the Commonwealth (“OMB”) and GDB appointed by the head of each of such Commonwealth Entities.

**THIRD:**

Pursuant to Section 203 of the Act, in order to preserve the liquidity of GDB and allow the continuation of its operations, while ensuring the provision of essential services that are paid from funds of certain Commonwealth Entities deposited at GDB, GDB is hereby instructed to honor withdrawal, payment, and transfer requests, including by check or other means, only if they are reasonable and necessary to fund the provision of essential services, relying on the certifications provided pursuant to Section 203(c)(ii) and (iii) of the Act and paragraphs FOURTH through SIXTH of this Executive Order.

**FOURTH:**

All withdrawal, payment, and transfer requests, including by check or other means, submitted to GDB by any Commonwealth Entity (other than the Department of Treasury of the Commonwealth (the “Department of Treasury”) and the Commonwealth Entities listed in paragraph SIXTH of this Executive Order) shall be accompanied by (a) a joint certification from OMB and the Department of Treasury finding that the funds requested are necessary to fund the provision of essential services in the ordinary course, which services must be identified in such certification, provided that in making such certification, OMB and the Department of Treasury may (i) rely on a certification provided to them by the head of the applicable Commonwealth Entity or his or her designee and (ii) reduce the amount of any request to an amount deemed necessary to fund essential services, and (b) a certification by the depositor to the effect that, based on its cash flow needs, it does not project to

have an alternate source of funds available from which to pay for such essential services.

**FIFTH:**

All withdrawal, payment, and transfer requests, including by check or other means, submitted to GDB by the Department of Treasury exclusively for operating expenses of the Department of Treasury or with respect to funds administered by the Department of Treasury on behalf of any Commonwealth Entity shall be accompanied by (a) a certification from OMB finding that the funds requested are necessary to fund the provision of essential services in the ordinary course, which services must be identified in such certification, provided that in making such certification, OMB shall be able to rely on a certification provided to it by the Department of Treasury, and (b) a certification from the Department of Treasury or the entity on whose behalf the Department of Treasury is acting finding that the disbursement of such funds is consistent with the cash management guidelines adopted by the Working Group for the Fiscal and Economic Recovery for Puerto Rico pursuant to Executive Order 2015-049.

**SIXTH:**

All withdrawal, payment, and transfer requests, including by check or other means, submitted to GDB by the Judicial Branch, the Legislative Branch, UPR, the Office of the Comptroller, the Office of the Electoral Comptroller, the State Elections Commission, the Government Ethics Office, the Independent Prosecutors Panel or municipalities shall be accompanied by a certification from the head of such Commonwealth Entity or the mayor of such municipality or their respective designee, as applicable, to the effect that (a) such funds are necessary to fund the provision of an essential service in the ordinary course, and (b) based on the depositor's cash flow needs, it does not project to have an alternate source of funds available from which to pay for such essential services.

**SEVENTH:**

The Disbursements Committee shall develop a process to identify whether any check or similar instrument issued by any depositor (other than the Department of the Treasury) prior to the date of this Executive Order is related to the provision of essential services in the ordinary course. The Disbursements Committee shall implement measures to identify whether any



check that (i) has been issued and delivered to the payee prior to the date of this Executive Order but has not been presented for payment and (ii) has not been authorized pursuant to paragraph FOURTH through SIXTH of this Executive Order is necessary to fund the provision of essential services in the ordinary course and shall instruct GDB to return to the issuer any check or similar instrument so identified.

**EIGHTH:**

GDB is authorized to impose weekly limitations on the aggregate amount of all withdrawals and transfers of deposits (other than checks issued and delivered to payees prior to the date of this Executive Order, which shall be subject to paragraph SEVENTH of this Executive Order) certified pursuant to paragraphs FOURTH through SIXTH of this Executive Order in order to preserve its liquidity. GDB shall inform me on a weekly basis, and as soon as practicable, of (1) the weekly limitations to be imposed each week on the aggregate amount of all withdrawals and transfers of deposits and (2) the total amount of withdrawal, payment, and transfer requests received each week, including by checks or other means. To the extent that the total amount of withdrawal, payment, and transfer requests, including by check or other means, certified pursuant to paragraphs FOURTH through SIXTH of this Executive Order exceed the applicable weekly limitation, such withdrawal, payment, and transfer requests, including by check or other means, shall be prioritized according to the following order:

- (1) Federal funds received after the date of this Executive Order for the benefit of third parties;
- (2) Amounts related to payroll, salaries, commissions or other similar payments;
- (3) Amounts required to cover ordinary course expenses related to the provision of police, firefighting, medical, education, disaster recovery and related services; and
- (4) Other essential services.

No withdrawal, payment, or transfer requests, including by check or other means, shall be made with respect to a given priority until all requests corresponding to a higher priority have been satisfied. To the extent that amounts remaining under the weekly limit are not sufficient to cover all requests

corresponding to any given priority, disbursements of requests corresponding to such priority shall be distributed pro rata.

**NINTH:** Effective as of the date of this Executive Order, all GDB depositors are hereby prohibited from printing or writing new checks or similar instruments creditable against their account(s) at GDB unless they obtain a temporary waiver from this provision from GDB. All new checks or similar instruments printed or written after the date of this Executive Order in violation of this provision shall not be honored and shall be null and void. Any person that intentionally issues any check or similar instrument in violation of Section 203(h) of the Act shall be subject to the criminal penalties set forth therein.

**TENTH:** Every Commonwealth Entity shall provide to GDB and/or the Department of Treasury, upon their request, any and all information with respect to funds and accounts, including deposit and/or investment accounts, held by such Commonwealth Entity outside GDB.

**ELEVENTH:** Pursuant to Section 203 of the Act, (a) the disbursement of any and all loans and advances by GDB, and (b) the payment of any and all obligations guaranteed by GDB are hereby temporarily suspended.

**TWELFTH:** Pursuant to Section 203(b)(i) of the Act, Article 6 of Act No. 17 of September 23, 1948, as amended, known as the “Enabling Act of Government Development Bank for Puerto Rico” (the “GDB Act”) is hereby temporarily suspended.

**THIRTEENTH:** To the extent not specifically prohibited or inconsistent with the terms herein, GDB is hereby delegated, pursuant to section 203(b)(v) of the Act, full authority to take any and all actions that are reasonable and necessary to continue carrying out its operations. GDB shall continue to closely monitor its liquidity and shall promptly notify the Governor if any of the restrictions imposed by this Executive Order or any subsequent action taken pursuant to this Executive Order are no longer necessary for it to continue carrying out its operations or if any additional actions are necessary.



**FOURTEENTH:** Nothing in this Executive Order shall relieve any party of any obligation to GDB, including with respect to the repayment of loans.

**FIFTEENTH:** All disbursements made by GDB in the ordinary course shall be exempt from Article 14 of the GDB Act pursuant to Section 203(f) of the Act. All persons and entities acting pursuant to this Executive Order, including any financial intermediary or institution acting as an agent for clearing of GDB, shall be protected by the immunity provisions of Section 105 of the Act. No financial institution or agent thereof providing clearing services or other financial services to GDB or any other government entity pursuant to any agreement with GDB or such government entity shall have any liability, civil, criminal, or otherwise, for, and without further notice or order shall be exonerated from, actions taken or not taken in connection with such agreement, nor for any transfer or withdrawal of deposits or other funds made pursuant thereto if any such transfer or withdrawal is found by a court to be in violation of the GDB Act, sections 1243, 1244 and 1249 of the Civil Code of Puerto Rico, or any other similar or analogous law or provision.

**SIXTEENTH:** SEVERABILITY. This Executive Order shall be interpreted in a manner to render it valid to the extent practicable in accordance with the Commonwealth Constitution and the U.S. Constitution. If any clause, paragraph, subparagraph, provision or part of this Executive Order were to be declared unconstitutional by a competent court, the order to such effect issued by such court will neither affect nor invalidate the remainder of this Executive Order. The effect of such an order shall be limited to the clause, paragraph, subparagraph, provision or part of this Executive Order declared unconstitutional and only with respect to the application thereof to the particular obligation subject to such challenge.

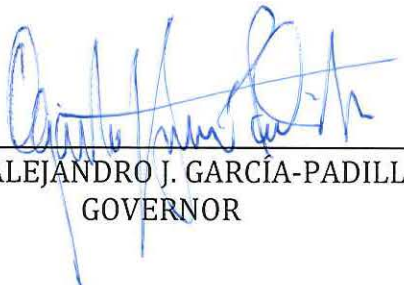
**SEVENTEENTH:** DEROGATION. This order shall prevail over any other Executive Order that may, in whole or in part, be inconsistent with this Executive Order, to the extent of such incompatibility.

**EIGHTEENTH:** EFFECTIVENESS AND PUBLICATION. This Executive Order shall take effect immediately. Its widest publication and dissemination are hereby ordered.

**NINETIETH** TERMINATION. This Executive Order shall remain in full force and effect until the earlier of (i) June 30, 2016, or (ii) revocation of this Executive Order as provided by the Governor in writing.

IN TESTIMONY BY WHICH, I issue this order under my signature and I stamp on it the Great Seal of the Commonwealth of Puerto Rico, in the city of San Juan, today, the 8 day of April, 2016.



  
ALEJANDRO J. GARCÍA-PADILLA  
GOVERNOR

Enacted pursuant to applicable law, on April 8, 2016.

  
VÍCTOR A. SUÁREZ-MELÉNDEZ  
DESIGNATED SECRETARY OF STATE