

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
SAN JUAN, PUERTO RICO

REGULATIONS FOR MUNICIPAL FINANCING

May 23, 2012

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Section 1 - Title

These regulations shall be known as Regulations for Municipal Financing (the “Regulations”).

Section 2 - Legal Basis

These Regulations are adopted pursuant to the provisions of the Puerto Rico Municipal Financing Act of 1996, Act 64-1996, as amended (“Act 64”); and the Autonomous Municipalities Act, Act 81-1991, as amended (“Act 81”).

In accordance with the provisions of section 31 of Act 64, the Government Development Bank for Puerto Rico (“GDB”), created by virtue of Act No. 17 of September 23, 1948, as amended, is the fiscal agent and financial advisor of the municipalities, and is responsible for implementing and enforcing the provisions of Act 64 and for regulating the obligations and financings of the municipalities of Puerto Rico.

Section 3 - Purpose

The purpose of these Regulations is to establish the rules, criteria, procedures and measures needed for the implementation and operation of Act 64, as well as the exercise by the GDB of its responsibilities as financial advisor and fiscal agent of the municipalities of Puerto Rico. These Regulations seek to provide a quick, uniform, straightforward mechanism for authorizing, processing, disbursing and conducting fiscal oversight of the municipal obligations.

Section 4 - Definitions

All of the terms used in these Regulations that are not specifically defined will bear the meaning established in Section 3 of Act 64.

- a) "Payment Capacity" means the financial capacity of a municipality to timely pay the principal, interest and redemption premium, if any, of loans and other obligations, as payments become due.
- b) "Internal Revenue Code" means the Internal Revenue Code for a New Puerto Rico, Act 1-2011, as amended.
- c) "Committee for the Evaluation of Municipal Financings" or "CEMF" means the Committee created by the GDB through Resolution CE-2010-47 of August 18, 2010, as it may be amended, from time to time, which has the authority and the responsibility to evaluate and approve or deny the municipalities' applications for financing submitted to the Committee's consideration pursuant to Act 64, and to any other applicable law or regulation.
- d) "Operating Debt" means any unpaid expenses incurred whose source of payment is the municipality's operating revenues.
- e) "Special Surtax Redemption Fund" means the trust known as Municipal Public Debt Redemption Fund established by the Municipal Revenues Collection Center (the "CRIM", by its Spanish acronym) with the GDB, in which the CRIM deposits the proceeds from the Special Surtax and any other resources from other sources that are needed to service the municipalities' general obligation bonds.
- f) "Municipal SUT Redemption Fund" or "SUT Redemption Fund" means the account established in the GDB in which the Treasury Secretary deposits the total amount of point two percent (.2%) out of point five percent (.5%) of the

total revenues from the Municipal Retail Sales and Use Tax collected by the Treasury Secretary for the benefit of the municipalities; it is to be used mainly for the payment of loans to the municipalities, as provided by the Internal Revenue Code.

- g) "Municipal SUT Development Fund" or "SUT Development Fund" means the account established in the GDB in which the Treasury Secretary deposits the total amount of point two percent (.2%) out of point five percent (.5%) of the total revenues from the Municipal Retail Sales and Use Tax collected by the Treasury Secretary for the benefit of the municipalities; these moneys shall be distributed by the GDB to the municipalities through a deposit in the individual accounts of each municipality with the GDB.
- h) "Operating Funds or Revenues" means all the revenues received by a municipality for the payment of its operating expenses, which have been committed to pay the principal of and interest on Special Obligation Bonds and Notes issued and outstanding by said municipality, including, but not limited to the Basic Tax; the revenues from the Municipal Retail Sales and Use Tax deposited by the Treasury Secretary in the Municipal SUT Development Fund; the remittances of operating funds sent by the CRIM to a municipality pursuant to Act 81; allocations or contributions received by a municipality from any agency, instrumentality or body of the Government of the Commonwealth of Puerto Rico or the Government of the United States of America; compensations paid to a municipality by a corporation of the

Commonwealth of Puerto Rico; municipal business licenses, revenues, and any other recurring or non recurring municipal revenues, as well as any other special tax on real and personal property within the municipal territory. This term does not include the Special Surtax or the income from the Municipal Retail Sales and Use Tax deposited in the SUT Redemption Fund (including revenues transferred from the SUT Development Fund), which a municipality is entitled to levy or collect by law, regulation or ordinance limiting or establishing a specific use of the funds or revenues received or collected by the municipality under said law, regulation or ordinance.

- i) "Instrument" or "Credit Instrument" means any obligation to repay borrowed money that is not evidenced by a bond or note, and represents a debt or payment obligation on the part of a municipality, including credit lines or other similar instruments evidencing a debt payment obligation.
- j) "Board of Directors" means the Board of Directors of the Government Development Bank for Puerto Rico.
- k) "Loan Margin" means the legal limitation on the total amount of indebtedness of a municipality as provided by Section 19 of Act 64 for General Obligation Bonds or Notes, Special Obligation Bonds, Notes or Instruments. The limitations on indebtedness contained in said Section shall also apply to any Refinancing Bonds, Notes or Instruments, depending on the type of obligation evidenced by said instrument or loan. The limitations

contained in Section 19 of Act 64 are not applicable to obligations or loans whose source of repayment is the SUT Redemption Fund.

- l) "SUT Obligations" means the bonds, notes or other instruments evidencing a debt for the payment of which the municipality committed the moneys deposited in the SUT Redemption Fund or the SUT Development Fund.
- m) "Interim Receipt" means the document or instrument evidencing a debt incurred by a municipality for a limited term, and which the municipality agreed to substitute by issuing the corresponding bonds or notes.
- n) "Remainder" means the portion of funds from a municipal financing under Act 64, which are not used by the municipality to pay for the costs originally approved in the ordinance or resolution authorizing said financing.

Section 5 - General Authorization

The municipalities are authorized to contract borrowings in the form of advances from the different municipal revenue sources and to contract debt in the form of loans, and issuance of bonds or notes, pursuant to the provisions of Act 64, the applicable federal laws, the applicable special laws, and the regulations approved by the GDB to that effect. The municipalities may contract borrowings and incur debt with the GDB or, with the prior authorization of the GDB, with other public or private banks, financial entities or institutions. Likewise, the municipalities have authority to issue (i) General Obligation Bonds or Notes; (ii) Special Obligation Bonds, Notes or Instruments; (iii) Revenue Bonds; (iv) Refinancing Bonds or Notes; (v) SUT Obligations; (vi) Tax Anticipation Notes or Instruments; and (vii) any other credit instrument or facility that

a municipality is authorized to incur under Act 64. The proceeds from any loans or debts incurred by a municipality under Act 64 shall be used by the municipality to pay for the costs authorized and allowed under Act 64 and Act 81. Any cost approved by the GDB of any loan or debt to be incurred by a municipality under Act 64 shall be considered a cost authorized and allowed under said law.

Advances or payments made by the municipality for the construction of works, acquisition of properties, or equipment, may be reimbursed through financings if, on the closing date of the financings, not more than two years have elapsed after the advances or payments were made.

Section 6 - GDB; Authorization

The contracting municipality shall be responsible for obtaining the GDB's written authorization before incurring any credit obligation or obtaining any loan with public or private financial institutions.

6.1 Approvals

The CEMF is authorized to evaluate and approve or deny the applications received from municipalities to incur any obligation or debt payable from the Special Surtax or the SUT Redemption Fund, regardless of the amount of the borrowings. Financing applications in the amount of one million dollars (\$1,000,000) or more whose source of payment are a municipality's Operating Funds or Revenues or a revenue-generating project will require the approval of the Board of Directors. This notwithstanding, the CEMF may refer to the Board of Directors, for evaluation and approval or denial, any financing application from a municipality, regardless of the

amount and source of payment, if it deems it pertinent. The Board of Directors may, from time to time, delegate in the CEMF the approval of any type of municipal financing.

6.2 Procedures

The GDB will adopt the procedures necessary to govern the application, evaluation, approval, disbursement and administration processes of municipal financings.

6.3 Documentation

The GDB will provide the forms that the municipalities may use to apply for and process the evaluation of the municipal financings. The GDB may defer the consideration of any municipal financing application until the interested municipality meets all the requirements established in these Regulations.

Section 7 - Municipal Legislature; Approvals

Any ordinance or resolution authorizing a municipality to incur an obligation or borrowing shall be approved by the affirmative vote of at least two thirds (2/3) of the total number of members of the Municipal Legislature. The total number of members of each Municipal Legislature is the one established by Act 81 in accordance with the number of inhabitants of the municipality. For the purpose of calculating the minimum votes required, the total number of members may not be reduced by vacancies or absences.

The two thirds (2/3) of the total number of members of the Municipal Legislatures are:

Total Number of Members	Two Thirds
17	12
16	11
14	10
12	8
5	4

Section 8 - Authorized Instruments

The following credit instruments shall be subject to the provisions of these Regulations:

- a) Municipal General Obligation Bonds or Notes.
- b) Revenue Bonds.
- c) Special Obligation Bonds, Notes or Instruments.
- d) Refinancing Bonds, Notes or Instruments.
- e) Bond Anticipation Notes or Instruments.
- f) Tax or Revenue Anticipation Notes or Instruments.
- g) Bonds, Notes, or Credit Instruments payable from the SUT Redemption Fund, with or without the allocation of moneys deposited in the SUT Development Fund.
- h) Credit Lines.

Section 9 - Permitted Purposes; Payment Sources

The municipalities may use the moneys taken on loan through the issuance of the credit instruments mentioned in the above Section for the following purposes and for any financing expenses related to the same.

- a) Obligations evidenced by Municipal General Obligation Bonds or Notes:
 - 1) Equipment Acquisition.

- 2) To develop or build any public work or improvement.
- 3) Construction of housing projects for low-income persons.
- 4) In extraordinary circumstances, to refinance operating debts.
- 5) Any other project the municipality is legally authorized to carry out.
- 6) Until June 30, 2012, to pay for operating expenses budgeted in any fiscal year, including accumulated budget deficits. After June 30, 2012, to pay for operating expenses budgeted in fiscal years prior to the current fiscal year, including accumulated budget debts or deficits, and outstanding debts or payment agreements for any fiscal year, with state and federal government agencies, entities and public corporations, and to pay judgments.

The source of payment of the Municipal General Obligation Bonds or Notes issued under this subparagraph (a) shall be the municipality's Special Surtax that is deposited by the CRIM in the Special Surtax Redemption Fund for the benefit of said municipality. In the event the available funds from the Special Surtax are not enough for said purpose, said obligations shall be paid from the municipality's Operating Funds or Revenues.

b) Revenue Bonds:

Revenue Bonds will be issued to provide funds to pay for the cost of acquiring, developing, and building any self-liquidating Revenue-Generating Project, i.e., those projects the GDB determines to be self-liquidating because they have the potential to generate sufficient revenues to pay for all the operation and

maintenance expenses of the Revenue-Generating Project, to establish the necessary reserves in order to pay for said obligations, and to service the debt of the Revenue Bonds, for the payment of which the municipality must encumber and assign all the revenues received by it from the Revenue-Generating Project.

Revenue bonds are not municipal general obligations; therefore, no holder of such bonds may force a municipality to exercise its taxing power in order to pay the principal and interest. Nevertheless, the GDB may request the CRIM, in writing, to withhold, from the remittances of a municipality's operating funds, the amounts needed to keep the payment of principal of and interest on said obligations up to date, as they become due, when the revenues from a Revenue-Generating Project are not enough or, for some reason, are not earmarked to pay said debts as they become due.

c) Special Obligation Bonds, Notes or Instruments:

- 1) Equipment acquisition.
- 2) To develop or build any public work or improvement.
- 3) To develop or build any revenue-generating project.
- 4) Operating expenses budgeted in any fiscal year.
- 5) Outstanding obligations incurred to pay for such operating expenses.
- 6) Refinancing of operating or budgetary debts, including accumulated budget deficit.
- 7) Any other project the municipality is legally authorized to carry out.

The source of payment of the Special Obligation Bonds, Notes or Instruments shall be the Operating Revenue or Funds of a municipality which are pledged or assigned by the municipality to pay for those obligations.

d) Refinancing Bonds, Notes or Instruments:

- 1) To provide funds for the payment of the principal of any outstanding bonds, notes or credit instruments on or before their maturity.
- 2) Payment of any prior redemption premium of said obligations.
- 3) Payment of any interest accrued or to be accrued as of the date of payment or prior redemption of said bonds, notes or instruments.
- 4) Payment of any expenses related to the sale and issuance of the refinancing bonds, notes or instruments.
- 5) Maintaining the reserves required by said refinancing bonds, notes or instruments.

The source of payment of the Refinancing Bonds, Notes or Instruments will be (i) the Operating Funds or Revenues of a municipality that are pledged and assigned by the municipality for the payment of said obligations, or (ii) the Special Surtax of the municipality in question that is deposited by the CRIM in the Special Surtax Redemption Fund, depending on the type of obligation that is being issued by the municipality to refinance its obligations. Any municipal ordinance or resolution authorizing the issuance of Refinancing Bonds, Notes or Instruments must clearly state the source of repayment of said obligations.

e) Bond Anticipation Notes:

May be issued for any of the purposes for which other municipal obligations or debts may be issued.

f) Tax and Revenue Anticipation Notes or Instruments:

May be issued for short-term financings, with a maturity date not exceeding 15 months. The moneys from this type of obligation shall be used by a municipality to pay its budget allocations approved for the current fiscal year before receipt of the tax revenues or other operating revenues corresponding to that fiscal year. No taxes or revenues received by the municipality which correspond to the following fiscal year may be used to pay for these notes or instruments. Tax and Revenue Anticipation Notes or Instruments may not be considered General Obligation Bonds or Notes of that municipality. Tax and Revenue Anticipation Notes or Instruments shall have a maturity date of not more than ninety (90) days after the end of the fiscal year in which they are issued. The source of payment of these instruments or notes shall be the proceeds of the taxes or any other operating funds or sources.

g) SUT Obligations payable from the SUT Redemption Fund, with or without the allocation of up to 100% of the moneys deposited in the SUT Development Fund:

- 1) Solid-waste collection and recycling programs, construction of works and permanent improvements, health and safety; including the payment of payroll and related expenses, such as, employer contributions or payroll taxes.

2) Any activity or project within the municipality's sound public administration, including the amortization of operating deficits and the payment of statutory debts, except for the payment of payroll and related expenses for these activities or projects. Municipalities may use the moneys of the Municipal SUT Redemption Fund and the SUT Development Fund to borrow money, by issuing SUT Obligations, from any financial institution other than the GDB, under the same conditions and limitations contained in this subparagraph (g), provided the financing terms of the private financial institution are better than those offered by the GDB.

h) Credit Lines:

For any purposes for which the municipality is legally authorized to borrow. The source of payment of these obligations may be municipal revenues, legislative allocations, or federal funds, among others.

Section 10 - Other Financings

10.1 Special Fund for Loans to Government Entities (FEPEG, by its Spanish acronym)

In accordance with Act No. 465 of May 15, 1947, as amended, 15 L.P.R.A. 111, 121 (2008), the GDB may grant loans to the municipalities using the moneys deposited in FEPEG (from the Puerto Rico Lottery). These loans will be evidenced by Special Obligation Bonds, Notes or Instruments and will have a maturity date not exceeding twenty (20) years from the date of issuance. The principal of and interest on these

obligations will be paid from the budgeted Operating Funds or Revenues that are not expressly committed by the municipality for other purposes, or from the proceeds of the bond or note issue under the provisions of Act 64. On GDB's request, the Treasury Secretary may retain in his custody the available funds of the municipalities to be used for the payment of maturing obligations contracted by a municipality under this Section.

10.2 Loans Financed by the Rural Development Administration

The funds provided by the Rural Development Administration (RD) for municipal financings will be used to pay for the costs of infrastructure works, equipment purchases, and any other purpose authorized by the RD. These loans will be processed following the procedures established by the RD. The GDB will act as fiscal agent, advisor and facilitator of the municipality in its dealings with the RD.

10.3 Financings for Emergencies

When the Governor of Puerto Rico decrees a state of emergency in one or more municipalities, and while the state of emergency lasts, the Municipal Legislature of these municipalities may authorize the municipality to obtain borrowings or to modify the purposes of obligations that have already been incurred and still have funds available, subject to the provisions of Act 64 and this Section.

These financings may only be authorized for purposes arising directly from the situation that has caused the state of emergency or to address the needs ensuing from the state of emergency. Likewise, loan funds may only be used for the purposes for which they were requested. Emergency Financings may not be authorized to address

needs covered by allocations from government funds that are already available to the municipalities, such as funds from the Emergency Fund identified through an Executive Order from the Governor of Puerto Rico.

The Municipal Legislatures of the municipalities declared in a state of emergency may disregard the requirements of holding public hearings and publishing a notice of approval to incur obligations evidenced by bonds, notes or other credit instruments, but the ordinance or resolution must refer to the state of emergency and explain the reasons why it is impossible to comply with those requirements. In addition, the GDB may authorize a municipality to issue special obligations when the municipality cannot comply with the restrictions on the applicable loan margins to those obligations, if the municipality in the state of emergency does not have any other viable alternative available to borrow money in order to address the mentioned emergency needs.

The municipalities may, with the GDB's approval, and after holding a public hearing, use all or part of the proceeds from the special obligations or from the general obligation bonds or notes, already authorized, for purposes other than those specified in the ordinances or resolutions authorizing said obligations, provided the new approved use addresses the needs arising from the municipality's state of emergency.

Should the funds be used for purposes not related to the needs arising from the state of emergency, the GDB will discontinue disbursements from the financing provided for the state of emergency and will not authorize or grant any other financing until the municipality has paid in full the funds used for unauthorized purposes.

The payment source for the financings for states of emergency shall be any municipal funds available.

Section 11 - Limitation on Debt Amount

No municipality may incur any obligation evidenced by Municipal General Obligation Bonds or Notes, obligations evidenced by Special Obligation Bonds, Notes or Instruments, or obligations evidenced by Tax and Revenue Anticipation Notes or Instruments if it does not have the required Loan Margins. The Loan Margin calculation shall be made pursuant to the provisions of Act 64 and of the following Section. To incur any of the above obligations, the municipality must also have Payment Capacity.

Section 12 - General Obligations: Computation of Loan Margin; Establishing Payment Capacity

No municipality may incur an obligation evidenced by Municipal General Obligation Bonds or Notes for a total amount of principal which, added to the outstanding principal of all the other obligations evidenced by Municipal General Obligations Bonds or Notes of the municipality, exceeds ten percent (10%) of the total appraisal value of the property located in the municipality.

In determining the loan margin of a municipality, the total principal payable for obligations evidenced by Municipal General Obligation Bonds or Notes outstanding at that time may be reduced by the part of the deposits of that municipality in the Special Surtax Redemption Fund that are not committed to pay the interest accrued, but not yet paid, on those obligations.

The loan margin will be calculated as follows:

- a) The interest accrued and payable for a one-year term is subtracted from the balance in the Special Surtax Redemption Fund corresponding to each municipality and the result is subtracted from the total authorized outstanding debt principal, to obtain the net debt.
- b) The net municipal debt is subtracted from the ten percent (10%) of the appraisal value of the property located in the municipality and the result is the available loan margin.

The payment capacity will be determined as follows:

- a) The two-year average collections for the Special Surtax are calculated.
- b) The balance of the Special Surtax Redemption Fund is determined to July 1 of each year after the payment of the debt service, then the amounts deposited or to be deposited by the CRIM corresponding to the liquidation of the previous fiscal year are added.
- c) The Special Surtax collections are verified to ascertain they are enough to cover the payment of principal of and interest on the outstanding debt and the proposed additional debt.

The Special Surtax Redemption Fund of every municipality will keep at all times a minimum balance of \$20,000. Said amount will be re-evaluated by the GDB from time to time, as deemed necessary.

Section 13 – Special Obligations: Computation of Loan Margin; Establishing Payment Capacity

No municipality may incur an obligation evidenced by special obligation bonds, notes or instruments if the annual payment of the principal of and interest on said

bonds, notes or instruments, together with the annual payment of principal of and interest on all the other obligations evidenced by the municipality's special obligations bonds, notes or instruments outstanding to that date, exceeds ten percent (10%) of the municipality's average recurring operating revenues for the two (2) years immediately preceding the current fiscal year.

Also, no municipality may incur any of the above obligations if it does not have the payment capacity. The GDB will establish the payment capacity taking into consideration the following elements:

- (a) the lowest net operating income in the last two fiscal years;
- (b) the fund balance for the last fiscal year;
- (c) the net operating income and the fund balance must be sufficient to cover the payment of principal of and interest on the outstanding debt and the proposed additional debt.

Financings payable from the operating funds may not be authorized for municipalities with a negative fund balance in the previous fiscal year, without the approval of the Board of Directors.

Section 14 - SUT Obligations: Loan Margin; Payment Capacity

SUT Redemption Fund guaranteed loans to municipalities will not be subject to the Loan Margin limitations provided by Act 64 for general and special obligations. No municipality may incur SUT Obligations if it does not have Payment Capacity. The Payment Capacity will be established as follows:

- (a) Two-year average collections are calculated for the SUT Redemption Fund and the SUT Development Fund.
- (b) The SUT Redemption Fund balance is determined to July 1 of every year after the debt service has been paid.
- (c) The SUT Redemption Fund collections will be verified to ascertain they are enough to cover the payment of principal of and interest on the outstanding debt and the proposed additional debt.

The SUT Redemption Fund of each municipality shall keep, at every time, a minimum balance of 5% of the two-year average collections for said Fund. Said amount or said percentage may be, from time to time, re-evaluated, as needed.

Section 15 - Use of Funds

The municipalities are required to use the proceeds of the bonds, notes and other credit instruments to pay for costs relative to the purpose or purposes authorized in the resolution or ordinance approved to that effect. This obligation extends to paying for costs relative to each purpose, and under no circumstances the amount to be used for a purpose may exceed the amount authorized by the ordinance or resolution, except as provided in Section 16 of these Regulations.

Those municipalities that are not interested in obtaining loans guaranteed by the SUT Redemption Fund may request in writing, and within the scope of Act 64, that the GDB withdraw and deliver the amounts deposited there corresponding to the petitioning municipality. The amounts received by the municipality must be used for the purposes established in the Internal Revenue Code.

Section 16 - Remainders and Reprogramming of Funds

A municipality may desist of one or more of the purposes specified in an ordinance or resolution and use the funds corresponding to those purposes for other purposes, with the approval of the Municipal Legislature and the GDB, as provided in the second paragraph of this Section 16. The same rule will apply if the amount used for any of the purposes specified in an ordinance or resolution is less than the one allocated for such purpose in said ordinance or resolution.

A municipality may reprogram the use of such remainders without holding a public hearing for loans evidenced by General Obligation Notes and Special Obligation Notes. For loans evidenced by General Obligation Bonds and Special Obligation Bonds, the municipalities may reprogram the use of remainders without holding a public hearing only up to a maximum of \$40,000. In all the cases, the use of remainders shall comply with the requirements of uses applicable to the specific type of bond or note, pursuant to the provisions of Section 9 of these Regulations.

Section 17 - Interim Receipts

For purposes of Act 64 and any other procedure established by virtue of the same and of these Regulations, municipalities will be allowed to delivery interim receipts to bond and note buyers while the final bonds or notes are issued, after receiving authorization from the Municipal Legislature through ordinance or resolution.

Section 18 - Excess in the Special Surtax Redemption Fund or SUT Redemption Fund

Municipalities may request the disbursement of the excesses in the Special Surtax Fund, as well as any balance not committed for the payment of SUT Redemption Fund

debt, through written communication to the GDB. The excess in the Special Surtax Redemption Fund may be withdrawn only once every fiscal year.

The excess in the Special Surtax Redemption Fund will be used, first, for the payment of liquid, due and payable statutory debts with the CRIM or debts with any government entity or public corporation. In the event the municipality has budgeted sufficient funds to pay said debts, the municipality may use the excess in the Special Surtax Redemption Fund for any purpose allowed under Act 81.

In the case of the SUT Redemption Fund, the municipalities may request the excess for any use authorized by these Regulations, without the restriction of having to pay first the debts with government entities or public corporations. Before remitting any excess in the Special Surtax Redemption Fund or any balance not committed for paying the SUT Redemption Fund, the GDB must withhold the amount that is necessary and sufficient to pay the principal of and interest on the bonds and notes during the 12 months following the disbursement, and will ensure that the payment of the municipal public debt is guaranteed.

Section 19 - Replacement of Bonds, Notes and Instruments

The replacement of bonds, notes and other instruments evidencing obligations incurred by the municipalities shall be governed by the provisions of Act No. 20 of May 22, 1956, as amended.

Section 20 - Severability

Should any word, subparagraph, sentence, section or part of these Regulations be declared invalid by a court of competent jurisdiction, such invalidation will not

affect, undermine or invalidate the remaining provisions, but rather, its effect will be limited to the word, subparagraph, sentence, section or part specified in each particular instance, and it will be understood that such invalidation will in no way affect or have an adverse effect on the application or validity of these Regulations in any other case.

Section 21- Temporary Provisions

All obligations evidenced by bonds, notes or any other credit instruments to be incurred by the municipalities after the date of approval of these Regulations shall be governed by these Regulations. All obligations previously approved by the CEMF or by the Board of Directors of the GDB are ratified by the approval of these Regulations and constitute valid obligations of the municipalities that are payable upon demand.

Section 22 - Effectiveness

The provisions of these Regulations will become effective 30 days after they have been filed with the Department of State, and the requirements of the Uniform Administrative Procedures Act, 3 LPRA § 2101 *et seq.* (2011), have been complied with.

Section 23 - Recommendation and Approval

These Regulations were approved on May 23, 2012, through Resolution 9779 of the Board of Directors of the Government Development Bank for Puerto Rico.

In San Juan, Puerto Rico, this ____ day of _____ 2012.

Juan Carlos Batlle
President

Jesús F. Méndez Rodríguez
Chairman of the Board of Directors