

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO

THE GOVERNMENT DEVELOPMENT BANK FOR  
PUERTO RICO,

Applicant.

PROMESA  
Title VI

Case No. 18-1561-LTS

**NOTICE OF INTENTION TO OBJECT TO THE APPLICATION OF THE  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO AND THE PUERTO  
RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY, PURSUANT TO  
SECTION 601(M)(1)(D) OF THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND  
ECONOMIC STABILITY ACT, FOR APPROVAL OF THE QUALIFYING  
MODIFICATION FOR GDB**

The United States of America, on behalf of various of its agencies, hereby files its *Notice of Intention to Object to the Application of the Government Development Bank for Puerto Rico and the Puerto Rico Fiscal Agency and Financial Advisory Authority, Pursuant to Section 601(m)(1)(D) of the Puerto Rico Oversight, Management, and Economic Stability Act, for Approval of the Qualifying Modification for GDB* pursuant to this Court's *Order Setting the Deadline for (I) Parties to File a Notice of Intention to Object to the Qualifying Modification for the Government Development Bank for Puerto Rico and (II) Parties to File Standing Objections* entered August 10, 2018 (the "Order") (Docket No. 7). In support hereof, the United States respectfully states as follows:

1. On August 10, 2018, the Government Development Bank for Puerto Rico ("GDB") and the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") commenced this action by filing an application (the "Application") pursuant to section 601(m)(1)(D) of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") seeking approval of a

Qualifying Modification for the GDB.<sup>1</sup>

2. On the same day, the Court entered the Order setting, among other things, the deadline for parties to file a notice of intention to object to the Qualifying Modification.

3. The Application did not include a proposed order approving the Qualifying Modification, and none has been filed to date.

4. As the Application recites, the GDB is a public corporation and an instrumentality of the Commonwealth of Puerto Rico that has served as a banking institution and a depository of funds for the Commonwealth and its instrumentalities, public corporations, and municipalities. *Appl.* at ¶ 8.

5. Before the filing of this PROMESA title VI action, as well as before and after the PROMESA title III filings of the Commonwealth and some of its public instrumentalities, the United States, through various of its agencies, has extended funds to the Commonwealth's agencies, instrumentalities, public corporations, and municipalities via grants and other financial assistance agreements. In many instances, those entities have deposited these federal funds in accounts at the GDB.

6. Applicable non-PROMESA federal law and regulations govern the use of and disposition of these funds, which PROMESA expressly acknowledges. 48 U.S.C. § 2106.

7. The United States acknowledges that the Application recites that “[f]ederal funds on deposit at GDB shall not be used to effect the restructuring of GDB and will not be subject to the setoffs contemplated by the GDB Restructuring Act,” *Appl.* at 13 n.5, and its counsel have engaged in discussions with counsel for the GDB regarding language to insert into any proposed order approving the Qualifying Modification to reflect this agreement.

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<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Application.

8. However, until (a) agreement is reached regarding such language and (b) the United States has reviewed a final proposed order approving the Qualifying Modification, the United States files this Notice to reserve its right to object to the Qualifying Modification on the basis that it authorizes the use and disposition of federal funds in contravention of applicable non-PROMESA federal law and regulations as well as section 2106 of PROMESA itself.

This 20<sup>th</sup> day of August 2018.

Respectfully submitted,

CHAD READLER  
Acting Assistant Attorney General  
ROSA E. RODRÍGUEZ-VÉLEZ  
United States Attorney  
HÉCTOR E. RAMÍREZ-CARBÓ  
Assistant United States Attorney  
Civil Chief

/s/ Matthew J. Troy  
RUTH A. HARVEY  
MICHAEL J. QUINN  
MATTHEW J. TROY  
USDC # G02707  
JONATHAN E. JACOBSON  
Attorneys, Civil Division  
U.S. Department of Justice  
P.O. Box 875  
Ben Franklin Station  
Washington, D.C. 20044  
(202) 514-9038 (o)  
(202) 514-9163 (f)  
matthew.troy@usdoj.gov

Attorneys for the United States of America

**CERTIFICATE OF SERVICE**

I hereby certify that on this 20<sup>th</sup> day of August 2018, I caused a true and correct copy of the foregoing Notice to be (a) filed with the Clerk of the Court using the CM/ECF system, which will generate electronic notification to all CM/ECF participants in these cases and (b) served via e-mail on: Mohammad Yassin Mahmud (Mohammad.Yassin@aafaf.pr.gov); Belén Fornaris Alfaro (Belen.Fornaris@bgf.pr.gov); Suzanne Umland (suhland@omm.com); Peter Friedman (pfriedman@omm.com) and John T. Rapisardi (jrapisardi@omm.com).

/s/ Matthew J. Troy