

Hearing Date: October 3, 2018 at 2:00 p.m. (prevailing Eastern Time)

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

GOVERNMENT DEVELOPMENT BANK FOR
PUERTO RICO,

Applicant.

PROMESA
Title VI

Case No. 18-1561

Re: ECF Nos. 15, 21, and 22

**NOTICE OF FINANCIAL OVERSIGHT
AND MANAGEMENT BOARD FOR
PUERTO RICO RESERVING RIGHTS TO
FILE STANDING OBJECTIONS AS TO
AMBAC ASSURANCE CORPORATION, ASSURED
GUARANTY CORPORATION, ASSURED GUARANTY
MUNICIPAL CORPORATION, AND NATIONAL PUBLIC
FINANCE GUARANTEE CORPORATION WITH RESPECT
TO THE QUALIFYING MODIFICATION FOR THE
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) in its capacity as the Administrative Supervisor pursuant to section 601(a)(1) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”)¹ and as representative of the Title III Debtors pursuant to PROMESA section 315(b), respectfully submits this Notice Reserving Rights to File Standing Objections as to Ambac Assurance Corporation (“Ambac”), Assured Guaranty Corp. and Assured Guaranty Municipal Corp. (“Assured”), and National Public Finance Guarantee Corp. (“National”) with respect to the (i) *Notice of Reservation of Rights of Ambac Assurance Corporation, Assured Guaranty Corp., Assured Guaranty Municipal Corp., and National Public Finance Guarantee Corp. to File a Limited Objection to the Qualifying Modification for the Government Development Bank of Puerto Rico* [ECF No. 15]

¹ PROMESA has been codified in 48 U.S.C. §§ 2101-2241.

(the “Monolines’ Reservation of Rights”) filed by Ambac, Assured, and National (collectively, the “Monolines”), (ii) *National Public Finance Guarantee Corporation’s Notice of Intention to Object to the Qualifying Modification for the Government Development Bank for Puerto Rico with Respect to the SIB Funds* [ECF No. 21] (the “National Intention to Object”), and (iii) *National Public Finance Guarantee Corporation’s Notice of Intention to Reserve Rights With Respect to the Qualifying Modification for the Government Development Bank for Puerto Rico* [ECF No. 22] (the “National Reservation of Rights”)², and respectfully represent as follows:

Background

I. The Title III Cases.

1. On June 30, 2016, the Oversight Board was established under PROMESA § 101(b). Pursuant to PROMESA § 315, “[t]he Oversight Board in a case under this title is the representative of the debtor” and “may take any action necessary on behalf of the debtor to prosecute the case of the debtor, including filing a petition under section 304 of [PROMESA] . . . or otherwise generally submitting filings in relation to the case with the court.”

2. On May 3, 2017, the Oversight Board issued a restructuring certification pursuant to PROMESA §§ 104(j) and 206 and filed a voluntary petition for relief for the Commonwealth pursuant to PROMESA § 304(a), commencing a case under title III thereof (the “Commonwealth’s Title III Case”).

3. Thereafter, Title III cases were commenced for (i) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Case No. 17-BK-3566

² To the extent that the Monolines or National assert causes of action and/or rights that belong to any of the Title III Debtors, the Oversight Board is the only entity that has the right to pursue those causes of action and/or rights pursuant to section 315(b) of PROMESA. The Oversight Board hereby incorporates arguments it will make in the forthcoming objection to the standing of the Official Committee of Unsecured Creditors that it will file on Saturday, September 1, 2018. Moreover, if the Monolines or National attempt to assert rights of any of the Title III Debtors, the Oversight Board reserves its rights to claim that the Monolines and/or National are violating the automatic stay in the Title III Cases (as defined below).

(LTS)), (ii) Puerto Rico Highways and Transportation Authority (“HTA”) (Case No. 17-BK-3567 (LTS)) and (iii) Puerto Rico Electric Power Authority (“PREPA”) (Case No. 17-BK-4780 (LTS)) (together with the Commonwealth’s Title III Case, the “Title III Cases”).

II. The GDB Restructuring.

4. Concurrently with the commencement of the Title III Cases, on May 15, 2017, the Government Development Bank for Puerto Rico (“GDB”), the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), and certain supporting creditors entered a Restructuring Support Agreement (the “RSA”) concerning GDB’s financial obligations to its creditors.

5. On July 12, 2017, the Oversight Board certified the RSA as a “Voluntary Agreement” under PROMESA § 104(i)(1) and as a Qualifying Modification pursuant to PROMESA § 601(g)(2)(A).

6. On August 24, 2017, the Governor of Puerto Rico signed Act 109-2017, the GDB Restructuring Act (the “Restructuring Act”), into law.

7. On May 8, 2018, the Oversight Board recertified the RSA as amended on October 20, 2017, December 20, 2017, March 20, 2018, and April 6, 2018, pursuant to PROMESA § 104(i)(1).

8. On August 10, 2018, GDB and AAFAF commenced a case under PROMESA Title VI by filing an application in the United States District Court for the District of Puerto Rico to approve the Qualifying Modification pursuant to PROMESA § 601(m)(1)(D) [ECF No. 1] (the “Title VI Case”).

III. Ambac, Assured, and National Notices.

9. On August 20, 2018, Ambac, Assured, and National filed the Monolines' Reservation of Rights [ECF No. 15], and National filed the National Intention to Object and the National Reservation of Rights [ECF Nos. 21, 22].

10. Pursuant to the Court's order, any objection relating to the standing of a party to object to the Qualifying Modification must be filed on or before 5:00 p.m. AST on August 30, 2018 [ECF No. 7], except as to certain entities for which standing objections are due on September 1, 2018 [ECF No. 29].

Reservation of Rights

I. The Monolines' Reservation of Rights.

11. The Monolines' Reservation of Rights seeks only to reserve the Monolines' asserted right to file an objection to the Qualifying Modification at a later time subject to certain events that have not occurred and may not occur. Because the Oversight Board cannot assess whether the Monolines would have standing to object without knowing the bases for their objection(s), if any, the Oversight Board reserves all of its rights, including the right to object to the Monolines' standing if the Monolines file an objection to the Qualifying Modification.

II. The National Intention to Object.

12. As the National Intention to Object relies in part on open questions of fact and law that will affect National's standing to object to the Qualifying Modification, the Oversight Board is unable to assess at this time whether National would have standing. Accordingly, the Oversight Board respectfully reserves all of its rights, including the right to object to National's standing.

III. The National Reservation of Rights.

13. The National Reservation of Rights also seeks to reserve rights that rest upon contingent or unresolved outcomes – namely whether the “Definitive Documents” (as defined in the RSA) and entry of the certification order may contain release provisions that may materially impact National’s rights as insurer of bonds issued by PREPA. National asserts that it has not yet seen or had an opportunity to review these documents. Accordingly, because the Oversight Board is unable to assess at this time whether National would have standing to object to such contingent or unresolved outcomes, the Oversight Board respectfully reserves all of its rights, including the right to object to National’s standing at such appropriate time.

[Remainder of page intentionally blank]

WHEREFORE the Oversight Board respectfully requests that the Court take notice of the foregoing.

Dated: August 30, 2018
San Juan, Puerto Rico

Respectfully submitted,

/s/ Martin J. Bienenstock
Martin J. Bienenstock (*pro hac vice*)
Stephen L. Ratner (*pro hac vice pending*)
Jeffrey W. Levitan (*pro hac vice*)
Margaret D. Dale (*pro hac vice*)
Timothy M. Mungovan (*pro hac vice*)
Paul V. Possinger (*pro hac vice*)
Ehud Barak (*pro hac vice*)
PROSKAUER ROSE LLP
Eleven Times Square
New York, NY 10036
Tel: (212) 969-3000
Fax: (212) 969-2900

Attorneys for the Financial Oversight and Management Board for Puerto Rico in its capacity as the Administrative Supervisor in the Title VI Case regarding the Government Development Bank for Puerto Rico and as representative for the Title III Debtors

/s/ Hermann D. Bauer
Hermann D. Bauer
O'NEILL & BORGES LLC
250 Muñoz Rivera Ave., Suite 800
San Juan, PR 00918-1813
Tel: (787) 764-8181
Fax: (787) 753-8944

Attorneys for the Financial Oversight and Management Board for Puerto Rico in its capacity as the Administrative Supervisor in the Title VI Case regarding the Government Development Bank for Puerto Rico and in its capacity as representative for the Title III Debtors

CERTIFICATE OF SERVICE

I hereby certify that, on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notifications of such filing to all CM/ECF participants in this case.

/s/ Hermann D. Bauer
Hermann D. Bauer