

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

THE GOVERNMENT DEVELOPMENT BANK  
FOR PUERTO RICO,

Applicant.

PROMESA  
Title VI

Case No. 18-1561 (LTS)

**MOTION OF THE GOVERNMENT DEVELOPMENT BANK FOR  
PUERTO RICO AND THE PUERTO RICO FISCAL AGENCY AND  
FINANCIAL ADVISORY AUTHORITY FOR LEAVE TO FILE A REPLY TO  
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' OBJECTION  
TO MOTION FOR AN ORDER APPROVING PROCEDURES AND SETTING  
SCHEDULE FOR APPROVAL OF QUALIFYING MODIFICATION FOR  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

The Government Development Bank for Puerto Rico (“**GDB**”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“**AAFAF**”) respectfully submit this motion (the “**Motion**”) for leave to file a reply (the “**Reply**”) to the *Official Committee of Unsecured Creditors’ Objection to Motion for an Order Approving Procedures and Setting Schedule for Approval of Qualifying Modification for Government Development Bank for Puerto Rico* [ECF No. 69] (the “**Objection**”) filed by the Official Committee of Unsecured Creditors (the “**UCC**”).<sup>1</sup> In support of this Motion, AAFAF and GDB respectfully state as follows:

1. On August 24, 2018, the UCC filed the Objection, requesting, among other things, a stay of merits briefing and discovery in the Title VI Action pending the resolution of certain standing issues.
2. Under the Local Rules for the United States District Court for the District of Puerto Rico, “[w]ith prior leave of Court and within seven (7) days of the service of any

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<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Motion for an Order Approving Procedures and Setting a Schedule for Approval of the Qualifying Modification for the Government Development Bank for Puerto Rico* [ECF No. 4] (the “**Procedures Motion**”).

objection to a motion, the moving party may file a reply memorandum, which shall not exceed ten (10) pages in length and which shall be strictly confined to replying to new matters raised in the objection or opposing memorandum.” *See* Local Rule 7(c).

3. GDB and AAFAF request leave to file a Reply to the Objection. GDB and AAFAF state that a reply will assist the Court in adjudicating the matters at issue, including whether the Title VI Action should be delayed to allow for resolution of the standing issues.

WHEREFORE, GDB and AAFAF respectfully seek leave to file the Reply attached hereto as Exhibit A.

Dated: August 31, 2018  
San Juan, Puerto Rico

Respectfully submitted,

/s/ María D. Trelles Hernández

María D. Trelles Hernández

USDC No. 225106

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**EXHIBIT A**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

THE GOVERNMENT DEVELOPMENT BANK  
FOR PUERTO RICO,

Applicant.

PROMESA  
Title VI

Case No. 18-1561 (LTS)

**REPLY OF THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO  
AND THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY  
AUTHORITY TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS’  
OBJECTION TO MOTION FOR AN ORDER APPROVING PROCEDURES AND  
SETTING SCHEDULE FOR APPROVAL OF QUALIFYING MODIFICATION FOR  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

The Government Development Bank for Puerto Rico (“GDB”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) respectfully submit this reply (the “**Reply**”) to the *Official Committee of Unsecured Creditors’ Objection to Motion for an Order Approving Procedures and Setting Schedule for Approval of Qualifying Modification for Government Development Bank for Puerto Rico* [ECF No. 69] (the “**Objection**”) filed by the Official Committee of Unsecured Creditors (the “UCC”).<sup>1</sup> In support of this Reply, AAFAF and GDB respectfully state as follows:

**PRELIMINARY STATEMENT**

1. The UCC—a creature purely of Title III, which does not represent GDB creditors and has no direct interest in the Title VI Action—would prefer that the Commonwealth, GDB, and all of GDB’s bona fide stakeholders put on hold the Title VI Action by more than a month while the Court determines the UCC’s standing to object to the Approval Application. The UCC

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<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Motion for an Order Approving Procedures and Setting a Schedule for Approval of the Qualifying Modification for the Government Development Bank for Puerto Rico* [ECF No. 4] (the “**Procedures Motion**”).

should not be allowed to delay the Title VI Action in this manner, particularly when the UCC's right to be heard remains dubious at best. The UCC argues that it is "wasteful and unnecessary" to require "all parties to incur the full cost of discovery before discovering who exactly is entitled to partake in discovery . . ." (Obj. at ¶ 6–7.) To the contrary. The UCC is the *only* party whose standing is being challenged at this time.<sup>2</sup> And it would be incredibly inefficient and costly to delay the restructuring of more than \$4.5 billion in debt, and force GDB to continue to incur the significant fees and expenses associated with the pending Title VI Action, based on the unlikely scenario that the Court finds that a creditors' committee organized in a separate case (over the objection of the debtor in that case) has a right to assert a challenge to the approval of the Qualifying Modification.

#### REPLY

**A. GDB and AAFAF Would be Substantially Prejudiced by an Unnecessary Delay of the Title VI Restructuring**

2. GDB and AAFAF would be significantly prejudiced if the Title VI Action is stalled for over a month. First, the RSA requires GDB and AAFAF to obtain this Court's approval of the Qualifying Modification on or before November 21, 2018 and there is no guarantee that the RSA parties will extend such deadline. Second, every day that GDB's application to approve the Qualifying Modification remains pending, GDB and AAFAF are incurring substantial fees and expenses and are being forced to devote a significant portion of their limited resources to this transaction. On balance, GDB should not be required to delay the process for obtaining approval of the Qualifying Modification for at least a month on account of an objection by a party who lacks standing to assert that objection.

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<sup>2</sup> GDB and AAFAF also reserved the right to object to the standing of certain parties that filed reservations of rights on the Notice of Intention to Object Deadline. See *GDB and AAFAF's Standing Objection, Reserving Their Rights to Object to Certain Parties' Notice of Intention to Object to the Approval Application* [ECF No. 104].

3. The Title VI schedule proposed by GDB and AAFAF reflects the input of GDB's stakeholders and other known objectors (including the UCC), and achieves an appropriate balance of many competing interests: on one hand, it accounts for the narrow scope of the Court's review of the Qualifying Modification under PROMESA section 601(m)(1)(D) and, on the other hand, it reflects the right of GDB's stakeholders to be heard in the Title VI.

4. Indeed, the Court's review and approval of the Qualifying Modification is limited to determining whether "the requirements of [PROMESA section 601] have been satisfied." *See* PROMESA § 601(m)(1)(d). Extensive and costly merits discovery is thus neither appropriate nor contemplated by Title VI. Therefore, any discovery costs appropriately incurred by the UCC should be minimal. To the extent the UCC intends to inundate GDB and AAFAF with inappropriate discovery requests, the UCC should not be permitted to use such unwarranted costs as a basis for extending the timeline for approving the Qualifying Modification.

5. Moreover, as mentioned above, GDB and AAFAF discussed the proposed schedule at length with the UCC prior to commencement of the Title VI Action. During these discussions, GDB and AAFAF made several modifications to the schedule, including the bifurcation of the standing objection process from the final hearing on the merits of the Qualifying Modification. The UCC's newly conjured demand that the Title VI Action be put on hold until after resolution of the standing issue is disingenuous, unreasonable, and should be denied.

6. Equally disingenuous—and false—is the UCC's assertion that GDB has operated with a "complete lack of discovery or transparency . . . throughout this process."<sup>3</sup> Rather, over

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<sup>3</sup> See *Urgent Motion of Official Committee of Unsecured Creditors, Pursuant to Bankruptcy Code Sections 105(a) and 362, for Entry of Order Enforcing Automatic Stay and Court's June 29, 2017 Order Confirming Application of Automatic Stay With Respect to the GDB Restructuring*, Case No. 17-3283 (LTS) [ECF No. 3797] at ¶ 29.

the past several months, GDB has voluntarily complied with substantially all of the UCC's requests for extensive documentation from GDB in connection with the Title VI Action. Notably, the UCC incurred this informal discovery expense knowing its standing would ultimately be an issue. Why it suddenly is concerned about saving discovery expenses now does not seem credible. GDB's advisory team has also met in person with the UCC on several occasions and has made a good faith effort to address many of the UCC's questions and concerns with the restructuring transaction. Accordingly, there is simply no reason that the UCC cannot serve any supplemental discovery requests and prepare a preliminary objection in a timely and cost effective manner on the timeline proposed.

**B. Filing of the Approval Order and Ancillary Documents**

7. The UCC also requests that GDB and AAFAF file (i) the proposed order approving the Qualifying Modification (the "**Approval Order**"); and (ii) all Ancillary Documents (as defined in the Restructuring Act) at least 14 days before the objection and discovery deadlines. (Obj. at ¶ 10.) GDB and AAFAF will agree to file the Approval Order on or before September 10, 2018, roughly two months before the Approval Hearing. But the request to file Ancillary Documents on the proposed timeline (if at all) is unreasonable and inconsistent with the court review process contemplated by Title VI of PROMESA. The Ancillary Documents—including, among other things, the indenture, transfer agreement, servicing agreement, collateral monitor agreement, and continuing disclosure agreement—do not implicate compliance with PROMESA section 601 and are irrelevant to the issues before the Court.

**C. Service of Documents**

8. At the UCC's request, GDB and AAFAF will strike the requirement that individuals at GDB and AAFAF be served with pleadings via mail.

Dated: August 31, 2018  
San Juan, Puerto Rico

Respectfully submitted,

/s/ María D. Trelles Hernández

María D. Trelles Hernández

USDC No. 225106

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