

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

THE GOVERNMENT DEVELOPMENT BANK  
FOR PUERTO RICO,

Applicant.

PROMESA

Title VI

Case No. 18-1561 (LTS)

**INFORMATIVE MOTION REGARDING REVISED PROPOSED ORDER TO  
APPROVE THE QUALIFYING MODIFICATION**

To the Honorable United States District Judge Laura Taylor Swain:

The Government Development Bank for Puerto Rico (“**GDB**”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“**AAFAF**”), through their undersigned counsel, hereby state as follows:

1. On August 10, 2018, GDB commenced this action under PROMESA Title VI (the “**Title VI Action**”) by filing the *Application of the Government Development Bank for Puerto Rico and the Fiscal Agency and Financial Advisory Authority for Puerto Rico, Pursuant to Section 601(m)(1)(D) of the Puerto Rico Oversight, Management, and Economic Stability Act, for Approval of Qualifying Modification for GDB* [ECF No. 1] (the “**Approval Application**”). The Approval Application demonstrates that GDB properly submitted the Qualifying Modification to the Financial Oversight and Management Board for Puerto Rico and obtained the necessary certifications, complied with Title VI’s information and notice requirements, and properly launched the solicitation of votes from holders of claims eligible to vote, thereby satisfying the requirements of PROMESA section 601.

2. On September 10, 2018, GDB and AAFAF filed with the Court a proposed order to approve the Qualifying Modification [ECF No. 125] (the “**Proposed Approval Order**”).

3. At a hearing held before this Court on September 13, 2018, the Court requested certain revisions to the Proposed Approval Order. In particular, the Court requested more clarity on what transactions are, and are not, part of the Qualifying Modification for which GDB and AAFAF are seeking Court approval pursuant to PROMESA section 601(m)(1)(D). Accordingly, GDB and AAFAF have revised the Proposed Approval Order to provide more clarity on this issue and to incorporate comments from certain GDB constituents and other entities. A copy of the revised Proposed Approval Order is attached hereto as Exhibit A (the “**Revised Approval Order**”).<sup>1</sup> For the convenience of the Court, a blackline of the Revised Approval Order against the proposed form of order previously filed with the Court is attached hereto as Exhibit B.

4. As reflected in the Revised Approval Order, the Qualifying Modification is to be effected by an exchange, on the terms and subject to the conditions set forth in the RSA and the Solicitation Statement, pursuant to which (i) holders of Participating Bonds have agreed to the cancellation of their Participating Bonds in exchange for secured New Bonds issued by the Recovery Authority, (ii) the Recovery Authority has agreed to issue the New Bonds to holders of Participating Bonds in exchange for the irrevocable transfer of the Transferred Property by GDB to the Recovery Authority and (iii) GDB has agreed to irrevocably transfer the Transferred Property to the Recovery Authority in consideration for the Recovery Authority’s issuance of the New Bonds to the holders of Participating Bonds in exchange for the cancellation of the Participating Bonds. The parties to the Qualifying Modification have agreed to effectuate the

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<sup>1</sup> Capitalized terms used but not defined herein will have the meaning ascribed to them in the Revised Approval Order.

foregoing exchange pursuant to the terms more particularly set forth in the RSA and described in the Solicitation Statement, including the following:

- a. **Bond Issuance.** On the Closing Date, or as soon thereafter as reasonably practicable, the Recovery Authority will issue, to each holder of Participating Bonds, without the need for any further corporate or governmental action, New Bonds having a face amount equal to 55% of such holder's Participating Bond Claim. The New Bonds will be issued with the terms described in the Solicitation Statement, including that they will have a 7.500% annual coupon rate, payable on each February 20 and August 20, with the final scheduled payment date on the New Bonds expected to be August 20, 2040. The New Bonds will be validly issued for due consideration and constitute legally valid and binding obligations of the Recovery Authority, enforceable against the Recovery Authority in accordance with their terms.
- b. **Vesting of Assets.** On the Closing Date all assets of GDB will vest in GDB free and clear of all claims in respect of any Bond of any other Issuer, pursuant to PROMESA section 601(m)(2).
- c. **Asset Transfer.** On the Closing Date, upon the vesting of assets free and clear in GDB, GDB will transfer all of its assets as of July 1, 2018 (other than the Public Entity Trust Assets and the other Excluded GDB Assets (each as defined in the Solicitation Statement)) (such assets transferred on the Closing Date and from time to time thereafter, the "**Transferred Property**") to the Recovery Authority, which transfer will be an irrevocable, non-voidable and absolute transfer of all of GDB's legal and equitable right, title and interest in and to, and not a pledge or other financing of, the Transferred Property.
- d. **Collateral.** Immediately upon issuance on the Closing Date, the New Bonds will be secured by a statutory lien under the GDB Restructuring Act on the Transferred Property and all assets, collections, fees, charges, proceeds, revenues, rents, insurance payments, income or other funds generated thereby, or received by the Recovery Authority, the Servicer or GDB in respect thereof, including in respect of the administration or reinvestment thereof, on or after July 1, 2018 (collectively, the "**Restructuring Property**"). The Restructuring Property will be managed by a designated independent Servicer retained by the Recovery Authority pursuant to a Servicing Agreement, which will be monitored by a designated independent Collateral Monitor retained by the indenture trustee for the benefit of the holders of the New Bonds.
- e. **Cancellation of Participating Bonds.** On the Closing Date, all Participating Bond Claims, including all Participating Bonds will be extinguished and cancelled and holders thereof will immediately and forever cease to have any rights, interests or claims against GDB, the Recovery Authority or any of their assets or any successors or assigns thereof in respect of such Participating Bonds.

- f. **Keepwell Agreement.** On the Closing Date, GDB will enter into a Keepwell Agreement pursuant to which GDB will agree to (i) transfer or convey to the indenture trustee for the benefit of the holders of the New Bonds any Restructuring Property received by it after the Closing Date or for which the transfer thereof to the Recovery Authority is deemed invalid or void and (ii) indemnify the holders of New Bonds in certain circumstances resulting, among other things, in the impairment of the New Bonds or the rights thereunder.
  - g. **Mutual Releases.** GDB, the Recovery Authority, and holders of Participating Bonds (who did not opt out of the Mutual Releases), among other parties, will provide the Mutual Releases releasing each other from certain claims, and causes of action and liabilities related to the Qualifying Modification or the Participating Bonds as part of the overall settlement of claims by and among GDB and the holders of Participating Bonds.
5. Prior to the Approval Hearing, GDB and AAFAF will file declarations in support of the factual findings reflected in the Revised Approval Order.
  6. Certain inter-governmental entity transactions determined to have a “public purpose” and to be in the “best interests of the people of Puerto Rico” are being effectuated separately under the GDB Restructuring Act, not the Qualifying Modification.<sup>2</sup> *See* Act 109-2017 art. 102; Statement of Motives at 39. These transactions between GDB, on one hand, and the Commonwealth and its public corporations and instrumentalities, on the other (collectively, the “**Inter-Governmental Entity Transactions**”) include the following:
    - a. **Non-Municipal Government Entity Setoff.** Pursuant to Article 501(c) of the GDB Restructuring Act, on the Closing Date, the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates (each, a “**Non-Municipal Government Entity**”) and GDB will be determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity’s name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date.
    - b. **Municipal Setoff.** Pursuant to Article 501(a) of the GDB Restructuring Act, upon the Closing Date, the full amount of each municipality’s deposits held at GDB will be automatically applied to the outstanding balance of any loan owed to GDB by that municipality. Any remaining municipal deposit claim will constitute a

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<sup>2</sup> Consummation of the Inter-Governmental Entity Transactions is a condition precedent to consummation of the Qualifying Modification, but such conditions are not subject to Court approval.

Participating Bond Claim that will be restructured pursuant to the Qualifying Modification.

- c. **Distribution of Interests in the Public Entity Trust.** Pursuant to Article 303 of the GDB Restructuring Act, those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment, will receive their pro rata share of interests in the Public Entity Trust, which will be deemed to be in full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.
- d. **Excess CAE Settlement.** The GDB Restructuring Act also provides a mechanism to resolve undisbursed Excess CAE. “Excess CAE” refers to proceeds of a special additional tax held at GDB that, prior to January 1, 2017, was certified by GDB as amounts above those required to be held by each municipality in the Municipal Public Debt Redemption Fund (as defined in the Municipal Financing Act). Pursuant to Article 502 of the GDB Restructuring Act, GDB will pay such municipalities, in cash, an amount equal to 55% of the municipality’s Excess CAE claim, in exchange for a release of claims related thereto.
- e. **Release of Government Entity Claims Against GDB.** Pursuant to Article 702 of the GDB Restructuring Act, Government Entities will release claims against GDB, the Recovery Authority and the Public Entity Trust, and any current officers, directors, employees, individual agents and other individual representatives thereof, in their capacity as such, except for (i) any interest in the Public Entity Trust a Government Entity has pursuant to Article 303 of the GDB Restructuring Act and (ii) any defense a Government Entity may have against any claim asserted against it by the Public Entity Trust or GDB. This release was the subject of a recent informative motion filed with the Court. *See Informative Motion Regarding Releases Under Article 702 of the GDB Restructuring Act* [ECF 151].

7. By enacting the GDB Restructuring Act, the Puerto Rico Legislative Assembly authorized these Inter-Governmental Entity Transactions. While the Qualifying Modification is conditioned upon the consummation of these Inter-Governmental Entity Transactions, they are not a component of the exchange of Participating Bond Claims being effectuated pursuant to the Qualifying Modification and thus are not subject to the Revised Approval Order.

8. GDB and AAFAF are continuing to have discussions with other parties and reserve the right to make further revisions to the Revised Approval Order prior to the Approval Hearing. To the extent they do so, GDB and AAFAF will present a blacklined copy of such revised Order to the Court either at or before the Approval Hearing.

Dated: September 20, 2018  
San Juan, Puerto Rico

Respectfully submitted,

/s/ María D. Trelles Hernández

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**Exhibit A**

**Revised Approval Order**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

THE GOVERNMENT DEVELOPMENT BANK  
FOR PUERTO RICO,

Applicant.

PROMESA  
Title VI

Case No. 18-1561 (LTS)

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER  
APPROVING QUALIFYING MODIFICATION FOR THE  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO  
PURSUANT TO SECTION 601(m)(1)(D) OF THE PUERTO RICO  
OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT**

The Government Development Bank for Puerto Rico (the “**GDB**”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“**AAFAF**”) having:<sup>1</sup>

- a. on August 9, 2018, commenced a solicitation of votes on the Qualifying Modification for GDB pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (“**PROMESA**”) section 601 (the “**Solicitation**”) by delivering (i) a copy of the Solicitation Statement, dated August 9, 2018 (the “**Solicitation Statement**”) including the Preliminary Offering Memorandum, and (ii) one or more ballots, as applicable (the “**Ballot(s)**”), together with the Solicitation Statement, the “**Solicitation Package**”), to all Eligible Voters (as defined herein), as evidenced by, among other things, the Affidavit of Solicitation [ECF No. 155] (the “**Solicitation Affidavit**”) filed by Epiq Corporate Restructuring (the “**Information Agent**”) on September 20, 2018;
- b. caused notice of the Solicitation to be published in (i) El Nuevo Día (in Spanish); (ii) Caribbean Business (in English); (iii) El Diario and El Nuevo Herald (in Spanish); (iv) The Bond Buyer (in English); and (v) the Wall Street Journal (in English), as evidenced by, among other things, the Affidavit of Publication [ECF No. [•]] (the “**Solicitation Publication Affidavit**”) filed by the Information Agent on [•];
- c. filed, on August 10, 2018 (the “**Title VI Application Date**”), 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* [ECF No. 1] (the “**Approval**”

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<sup>1</sup> Unless otherwise noted herein, capitalized terms not defined in these findings of fact, conclusions of law, and order (collectively, this “**Approval Order**” or this “**Order**”) have the meanings ascribed to them in the Approval Application (as defined herein).

**Application**”), thereby commencing the above-captioned action under Title VI of PROMESA (the “**Title VI Action**”), pursuant to District of Puerto Rico Local Civil Rule 3.1;

- d. filed, on August 10, 2018, the *Declaration of Suzzanne S. Uhland, Esq. in Support of 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* [ECF No. 5] (the “**Uhland Decl.**”);
- e. filed the *Urgent Motion for Entry of an 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* [ECF No. 3] (the “**Urgent Motion**”), which sought to establish the deadline for (i) parties to file a notice of intention to object to the Qualifying Modification (the “**Notice of Intention to Object Deadline**”) and (ii) filing objections related to the standing of a party to object to the Qualifying Modification (the “**Standing Objection Deadline**”);
- f. filed 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 “**Approval Procedures Motion**”), which sought, among other things, that the Court schedule a hearing on Approval of the Qualifying Modification (the “**Approval Hearing**”) and establish procedures (the “**Approval Procedures**”) in connection with the Court process to approve the Qualifying Modification;
- g. obtained, on August 10, 2018, the *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* [ECF No. 7] (the “**Notice of Intention to Object Order**”);
- h. caused the Notice of Intention to Object Order to be served on all holders of Participating Bonds, the indenture trustees for the Participating Bonds, and certain other potential objectors, as evidenced by, among other things, the Solicitation Affidavit;
- i. obtained, on September 17, 2018, entry of the *Order Approving Procedures and Setting a Schedule for Approval of the Qualifying Modification for the Government Development Bank for Puerto Rico* [ECF No. 148] (the “**Approval Procedures Order**”);
- j. caused notice of the Approval Procedures Order, including the Approval Hearing (the “**Hearing Notice**”) to be served on all holders of Participating Bonds, the indenture trustees for the Participating Bonds, and published in (i) El Nuevo Día (in Spanish); (ii) Caribbean Business (in English); (iii) El Diario and El Nuevo

Herald (in Spanish); (iv) The Bond Buyer (in English); and (v) the Wall Street Journal (in English), as evidenced by, among other things, the Affidavit of Service [ECF No. [•]] (the “**Hearing Affidavit**”) filed by the Information Agent on [•];

- k. filed, on September 20, 2018, the *Declaration of Jane Sullivan of Epiq Corporate Restructuring, as Calculation Agent, Regarding the Solicitation of Votes and Tabulation of Ballots Cast on the Qualifying Modification Under Title VI of PROMESA* [ECF No. 156] (the “**Voting Certification**”), indicating that (i) Eligible Voters holding over 50% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool voted to approve the Qualifying Modification; and (ii) Eligible Voters holding over 66 2/3% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool that voted in the Solicitation voted to approve the Qualifying Modification (the “**Requisite Approvals**”);
- l. filed, on [•], the certification from the Financial Oversight and Management Board for Puerto Rico (the “**Oversight Board**”), as Administrative Supervisor, pursuant to PROMESA section 601(m)(1)(B), indicating that the (i) the voting requirements of section 601 of PROMESA have been satisfied; (ii) the Qualifying Modification complies with the requirements set forth in PROMESA section 104(i)(1); and (iii) any conditions (other than those identified in the Qualifying Modification as being non-waivable) on the effectiveness of the Qualifying Modification have been satisfied or, in the Oversight Board’s sole discretion, satisfaction of such conditions has been waived (the “**601(m) Certification**”);

This Court having:

- i. set November 6, 2018, at 10:00 a.m. (Atlantic Standard Time), as the date and time for the commencement of the Approval Hearing;
- ii. reviewed the Solicitation Statement, the Approval Application, the Uhland Declaration, the Voting Certification, the 601(m) Certification, and all pleadings, exhibits, statements, responses, and comments regarding approval of the Qualifying Modification (“**Approval**”), including all objections, statements, and reservations of rights filed on the docket;
- iii. held the Approval Hearing;
- iv. heard the statements, arguments, and objections made by counsel in respect of Approval;
- v. considered all oral representations, documents, filings, and evidence regarding Approval;
- vi. overruled any and all objections (to the extent not withdrawn) to the Qualifying Modification and this Order and all statements and reservation of rights not consensually resolved or withdrawn, unless otherwise indicated; and

vii. considered all informative pleadings filed in connection with the Title VI Action.

NOW, THEREFORE, the Court having found that adequate and appropriate notice of the Approval Hearing and the opportunity for any party to object to Approval has been given; and the record of the Title VI Action and the legal and factual bases set forth in the documents filed in support of Approval and presented at the Approval Hearing including, but not limited to, the Solicitation Statement, the Approval Application, the Uhland Declaration, the Voting Certification, and the 601(m) Certification, establish just cause for the relief granted in this Order; and after due deliberation thereon and good cause appearing therefor, the Court hereby makes and issues the following findings of fact, conclusions of law, and orders:

**I. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

IT IS HEREBY DETERMINED, FOUND, ADJUDGED, DECREED, AND ORDERED THAT:

**A. Findings of Fact and Conclusions of Law.**

1. All findings of fact and conclusions of law announced by the Court at the Approval Hearing in relation to Approval are hereby incorporated into this Approval Order to the extent not inconsistent herewith. To the extent that any of the following constitutes findings of fact or conclusions of law, they are adopted as such.

**B. Jurisdiction.**

2. The Court has subject matter jurisdiction over this matter pursuant to PROMESA section 601(m)(1)(D). The Court has original and exclusive jurisdiction to determine whether the Qualifying Modification complies with the applicable provisions of PROMESA section 601 and should be approved. The Court may properly retain competent jurisdiction over the matters arising out of, or related to, the Title VI Action.

**C. PROMESA Title VI.**

3. The creditor collective action provisions of Title VI of PROMESA provide a method for the Commonwealth of Puerto Rico (the “**Commonwealth**”) and certain designated agencies and instrumentalities to effectuate a restructuring of their bond financings and other indebtedness based on the consent of a supermajority of those creditors voting in a particular class and can become binding on dissenting creditors in such class. The Oversight Board serves as the “Administrative Supervisor” in Title VI pursuant to PROMESA section 601(a)(1).

**D. Eligibility to Be an Issuer Under Title VI.**

4. An entity may be an “Issuer” under Title VI of PROMESA if such entity (a) is a covered territorial instrumentality (*see* PROMESA § 601(a)(2)), (b) is specifically authorized—as an “Authorized Territorial Instrumentality”—to be eligible to avail itself of the procedures under section 601 by the Oversight Board, as the Administrative Supervisor (*see* PROMESA § 601(e)), and (c) has issued or guaranteed at least one Bond<sup>2</sup> that is Outstanding<sup>3</sup> (*see* PROMESA § 601(a)(8)). On September 30, 2016, the Oversight Board designated GDB as a covered territorial instrumentality.<sup>4</sup> On July 12, 2017, the Oversight Board issued a resolution authorizing GDB to avail itself of Title VI and designating GDB as an Authorized Territorial Instrumentality. *See* Uhland Decl., Ex. J. As evidenced by the public bonds, deposits, letters of credit and debt service deposit agreement listed in Exhibits C and D to the Solicitation Statement—each of which qualifies as a Bond under PROMESA (as described further below)—GDB has issued at least one Bond. In addition, as evidenced by the certification of

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<sup>2</sup> A “Bond” under PROMESA includes a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money. *See* PROMESA § 5(2).

<sup>3</sup> A Bond is “Outstanding” under PROMESA as long as it is not disqualified under section 601(b) because, for example, it is held by the Issuer or an entity controlled by the Issuer. *See* PROMESA § 601(a)(10).

<sup>4</sup> *See* Financial Oversight and Management Board for Puerto Rico, First Meeting of the Board, Minutes (Sept. 30, 2016).

disenfranchised Bonds delivered by GDB to the Calculation Agent (as defined below) pursuant to section 601(c), all but two of such Bonds listed in Exhibits C and D to the Solicitation Statement are Outstanding. *See* Uhland Decl., Ex. Q. GDB thus was and continues to be eligible to be an Issuer under Title VI of PROMESA.

**E. GDB Validly Proposed the RSA as a Modification.**

5. Pursuant to PROMESA section 601(i), a Modification<sup>5</sup> may be proposed to the Oversight Board, as Administrative Supervisor, by an Issuer. Because GDB is eligible to be an Issuer, it may properly propose a Modification under PROMESA section 601(i).

6. On May 15, 2017, GDB, AAFAF and the holders of a significant portion of Participating Bonds entered into a Restructuring Support Agreement, which sets forth the terms and conditions for a consensual restructuring of the Participating Bonds under Title VI of PROMESA (as amended by the First Amendment to the Restructuring Support Agreement, dated October 20, 2017, the Second Amendment to the Restructuring Support Agreement, dated December 20, 2017, the Third Amendment to the Restructuring Support Agreement, dated March 20, 2018, the Fourth Amendment to the Restructuring Support Agreement, dated April 6, 2018, the Fifth Amendment to the Restructuring Support Agreement, dated June 8, 2018, and the Sixth Amendment to the Restructuring Support Agreement, dated August 3, 2018, the “RSA”). *See* Uhland Decl., Exs. C–I.

7. The Participating Bonds include the following indebtedness of GDB (each, a “Participating Bond”):

- i. the public bonds issued and outstanding pursuant to that certain trust indenture, dated as of February 17, 2006, as amended or supplemented (the “2006

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<sup>5</sup> A “Modification” can be any modification, amendment, supplement or waiver affecting one or more series of Bonds, including those effected by way of exchange, repurchase, conversion or substitution. *See* PROMESA § 601(a)(9).

- Indenture**”), between GDB and Wilmington Trust, National Association, as successor trustee, as identified on Exhibits C and D to the Solicitation Statement;
- ii. the public bonds, issued and outstanding pursuant to that certain trust indenture, dated as of April 29, 2016, as amended or supplemented (the “**2016 Indenture**”), between GDB and UMB Bank, National Association, as trustee, as identified on Exhibit C to the Solicitation Statement;
  - iii. certain deposits at GDB after giving effect to the adjustments pursuant to the GDB Restructuring Act (as defined below) on the Closing Date, as identified on Exhibit C to the Solicitation Statement;
  - iv. a direct-pay letter of credit, dated as of December 28, 2011, issued by GDB in favor of The Bank of New York Mellon, as trustee, for the payment of principal due and interest accrued on the Puerto Rico Infrastructure Financing Authority Revenue Bonds (Ports Authority Project), 2011 Series A (Federally Taxable) and 2011 Series B (Non-AMT) issued under that certain Loan and Trust Agreement, dated as of December 1, 2011, among the Puerto Rico Infrastructure Financing Authority, the Puerto Rico Ports Authority and The Bank of New York Mellon, as trustee, as identified on Exhibit C to the Solicitation Statement;
  - v. three stand-by letters of credit, dated as of August 18, 2011, December 15, 2011 and June 28, 2012, issued by GDB in favor of U.S. Bank Trust National Association, as trustee, for the payment, under limited circumstances, of Puerto Rico Public Finance Corporation Bonds, 2011 Series A (Commonwealth Appropriation Bonds), 2011 Series B (Commonwealth Appropriation Bonds) and 2012 Series A (Commonwealth Appropriation Bonds) issued under that certain trust agreement, dated as of June 1, 2004, between the Puerto Rico Public Finance Corporation and U.S. Bank Trust National Association, as trustee, as identified on Exhibit C to the Solicitation Statement; and
  - vi. a debt service deposit agreement, dated as of June 6, 2005, as amended, among GDB, the Commonwealth and Lehman Brothers Special Financing, Inc., as identified on Exhibit C to the Solicitation Statement.

Each Participating Bond constitutes a Bond under PROMESA section 5(2) because it is either a bond, loan, letter of credit, other borrowing title, obligation of insurance or other financial indebtedness for borrowed money.

8. The restructuring of the Participating Bonds on the terms and subject to the conditions set forth in the RSA constitutes a Modification under PROMESA section 601(a)(9) because it provides for the modification, amendment, supplement and waiver of the Participating

Bonds to be effected by way of an exchange transaction, as more fully described below. *See* Uhland Decl., Exs. C–I.

9. On June 30, 2017, GDB, as Issuer, validly proposed to the Oversight Board, as Administrative Supervisor, the RSA as a Modification of the Participating Bonds under Title VI in compliance with section 601(i) of PROMESA. *See* Uhland Decl., Ex. J.

**F. The Oversight Board Certified the Modification as a Qualifying Modification.**

10. On July 12, 2017, the Oversight Board, as the Administrative Supervisor, certified the RSA pursuant to the “Voluntary Agreement Process” set forth in PROMESA section 601(g)(2)(A)–(B), thereby establishing the Modification contemplated by the RSA as a Qualifying Modification. *See* Uhland Decl., Ex. J. On May 8, 2018, the Oversight Board, as Administrative Supervisor, recertified an amended version of the Modification contemplated by the RSA as a Qualifying Modification. *See* Uhland Decl., Ex. L.

11. In certifying the Modification contemplated by the RSA as a Qualifying Modification, the Oversight Board determined that (i) the RSA constitutes a voluntary agreement (a “**Voluntary Agreement**”) that conforms to the GDB Fiscal Plan and provides for a sustainable level of debt, in accordance with PROMESA section 104(i)(1)(A); (ii) such Voluntary Agreement became effective because the holders of a majority in amount of Bond Claims (as defined in PROMESA) in respect of the Participating Bonds (“**Participating Bond Claims**”) entered into the RSA, in accordance with PROMESA section 104(i)(2)(B); and (iii) the Modification satisfies PROMESA’s requirement that each holder in the same Pool receive the same consideration, in accordance with section 601(g)(1)(B). *See* Uhland Decl., Exs. J, L.

**G. Establishment of Pools.**

12. Under section 601(d) of PROMESA, the Oversight Board, as Administrative Supervisor, in consultation with the Issuer, is required to establish classes of Bonds—called “Pools”—for purposes of voting on the Qualifying Modification based on certain prescribed classification requirements. Each Participating Bond Claim is placed into one of two Pools established for the Qualifying Modification: (i) a Pool for Participating Bond Claims that benefit from a Commonwealth guarantee (the “**Guaranteed Bond Claim Pool**”) and (ii) a Pool for all other Participating Bond Claims that do not benefit from a Commonwealth guarantee (the “**Non-Guaranteed Bond Claim Pool**”). *See* Uhland Decl., Ex. O. The Guaranteed Bond Claim Pool includes only Participating Bond Claims in respect of the Senior Guaranteed Notes (2013) Series B-1 issued and outstanding pursuant to the certain trust indenture, dated as of February 17, 2006, between GDB and Wilmington Trust, National Association, as successor trustee, which Participating Bonds have the benefit of a guarantee by the Commonwealth, as identified on Exhibit D to the Solicitation Statement. The Non-Guaranteed Bond Claim Pool includes all other Participating Bond Claims, as identified on Exhibit C to the Solicitation Statement. There are no other Participating Bond Claims other than those identified in Exhibits C and D to the Solicitation Statement, and there are no other GDB Bonds (other than the Participating Bonds) that are subject to the Qualifying Modification. On May 8, 2018, the Oversight Board, as Administrative Supervisor, issued a resolution establishing, after consultation with GDB, the Non-Guaranteed Bond Claims Pool and the Guaranteed Bond Claims Pool as separate Pools and the only Pools pursuant to PROMESA section 601(d). *See* Uhland Decl., Ex. L.

**H. The Terms of the Qualifying Modification.**

13. The Qualifying Modification of the Participating Bonds is to be effected by an exchange, on the terms and subject to the conditions set forth in the RSA and the Solicitation Statement, pursuant to which (i) holders of Participating Bonds have agreed to the cancellation of their Participating Bonds in exchange for new secured bonds (the “**New Bonds**”) issued by the Recovery Authority (as defined below); (ii) the Recovery Authority has agreed to issue the New Bonds to holders of Participating Bonds in exchange for the irrevocable transfer of the Transferred Property (as defined below) by GDB to the Recovery Authority; and (iii) GDB has agreed to irrevocably transfer the Transferred Property to the Recovery Authority in consideration for the Recovery Authority’s issuance of the New Bonds to the holders of Participating Bonds in exchange for the cancellation of the Participating Bonds. The parties to the Qualifying Modification have agreed to effectuate the foregoing exchange pursuant to the terms more particularly set forth in the RSA and described in the Solicitation Statement (the “**Exchange Terms**”), including:

- i. **Bond Issuance.** On the Closing Date, or as soon thereafter as reasonably practicable, the Recovery Authority will issue, to each holder of Participating Bonds, without the need for any further corporate or governmental action, New Bonds having a face amount equal to 55% of such holder’s Participating Bond Claim. The New Bonds will be issued with the terms described in the Solicitation Statement, including that they will have a 7.500% annual coupon rate, payable on each February 20 and August 20, with the final scheduled payment date on the New Bonds expected to be August 20, 2040. The New Bonds will be validly issued for due consideration and constitute legally valid and binding obligations of the Recovery Authority, enforceable against the Recovery Authority in accordance with their terms.
- ii. **Vesting of Assets.** On the Closing Date all assets of GDB will vest in GDB free and clear of all claims in respect of any Bond of any other Issuer, pursuant to PROMESA section 601(m)(2).
- iii. **Asset Transfer.** On the Closing Date, GDB will transfer all of its assets as of July 1, 2018 (other than the Public Entity Trust Assets and the other Excluded GDB Assets (each as defined in the Solicitation Statement)) (such assets

transferred on the Closing Date and from time to time thereafter, the “**Transferred Property**”) to the Recovery Authority, which transfer will be an irrevocable, non-voidable and absolute transfer of all of GDB’s legal and equitable right, title and interest in and to, and not a pledge or other financing of, the Transferred Property.

- iv. **Collateral.** Immediately upon issuance on the Closing Date, the New Bonds will be secured by a statutory lien under the GDB Restructuring Act on the Transferred Property and all assets, collections, fees, charges, proceeds, revenues, rents, insurance payments, income or other funds generated thereby, or received by the Recovery Authority, the Servicer or GDB in respect thereof, including in respect of the administration or reinvestment thereof, on or after July 1, 2018 (collectively, the “**Restructuring Property**”). The Restructuring Property will be managed by a designated independent servicer (the “**Servicer**”) retained by the Recovery Authority pursuant to a servicing agreement (the “**Servicing Agreement**”), which will be monitored by a designated independent collateral monitor (“**Collateral Monitor**”) retained by the indenture trustee for the benefit of the holders of the New Bonds.
- v. **Cancellation of Participating Bonds.** On the Closing Date, all Participating Bond Claims, including all Participating Bonds will be extinguished and cancelled and holders thereof will immediately and forever cease to have any rights, interests or claims against GDB, the Recovery Authority or any of their assets or any successors or assigns thereof in respect of such Participating Bonds.
- vi. **Keepwell Agreement.** On the Closing Date, GDB will enter into a keepwell agreement (the “**Keepwell Agreement**”) pursuant to which GDB will agree to (a) transfer or convey to the indenture trustee for the benefit of the holders of the New Bonds any Restructuring Property received by it after the Closing Date or for which the transfer thereof to the Recovery Authority is deemed invalid or void and (b) indemnify the holders of New Bonds in certain circumstances resulting, among other things, in the impairment of the New Bonds or the rights thereunder.
- vii. **Mutual Releases.** GDB, the Recovery Authority, and holders of Participating Bonds (who did not opt out of the Mutual Releases (as defined in the Solicitation Statement)), among other parties, will provide the Mutual Releases releasing each other from certain claims, and causes of action and liabilities related to the Qualifying Modification or the Participating Bonds as described in further detail in paragraphs 24 and 25 below.

14. The Qualifying Modification of the Participating Bonds is subject to and conditioned upon the consummation of the other components of the global restructuring of GDB’s outstanding liabilities pursuant to the GDB Restructuring Act, described in further detail in the *Informative Motion Regarding Revised Proposed Order to Approve the Qualifying*

*Modification* [ECF No. [•]] filed by GDB and AAFAF on September 20, 2018, and the satisfaction of the other conditions set forth in the RSA and described in the Solicitation Statement, each of which is required to be certified by the Oversight Board, as Administrative Supervisor, as having been satisfied or waived or as being non-waivable, pursuant to PROMESA section 601(m)(B)(iii) (collectively, the “**Exchange Conditions**” and, together with the Exchange Terms, the “**Exchange Terms and Conditions**”), including, among others, the execution and delivery of all definitive documents (including, among others, the Bond Indenture, the Transfer Agreement, the Servicing Agreement, the Collateral Monitor Agreement, the Keepwell Agreement and the governing documents for the Recovery Authority and the Public Entity Deed of Trust (each as defined in the Solicitation Statement)) in form and substance satisfactory to GDB and the RSA Requisite Bondholders (as defined in the RSA).

**I. Adoption of the GDB Restructuring Act and Creation of the Recovery Authority.**

15. On August 24, 2017, the Governor of the Commonwealth signed into law the *Government Development Bank for Puerto Rico Debt Restructuring Act*, Act No. 109-2017 (as amended by Act No. 147-2018, the “**GDB Restructuring Act**”). Pursuant to section 201 of the GDB Restructuring Act, the GDB Debt Recovery Authority (the “**Recovery Authority**”) was created as a statutory public trust and a governmental instrumentality of the Commonwealth and has and continues to act in such capacity.

**J. Commencement of the Title VI Action.**

16. On the Title VI Application Date, GDB filed the Approval Application with the Court, pursuant to District of Puerto Rico Local Civil Rule 3.1.

**K. Judicial Notice.**

17. The Court takes judicial notice of all informative pleadings filed in the Title VI Action.

**L. Notice.**

18. As evidenced by the Solicitation Affidavit, the Solicitation Publication Affidavit, the Hearing Affidavit, the Voting Certification, and the 601(m) Certification, due, adequate, and sufficient notice of the Solicitation and the Approval Hearing, together with the deadlines for voting to approve or reject the Qualifying Modification as well as objecting to the Qualifying Modification and seeking discovery with respect thereto has been given to, as applicable: (a) all known holders of Participating Bonds; (b) the indenture trustees for the Participating Bonds; and (c) parties that requested notice in the Title VI Action, and no other or further notice is or shall be required.

**M. Solicitation.**

19. GDB and AAFAF, through the Information Agent and Dealer Managers (as defined in the Solicitation Statement), solicited votes for approval or rejection of the Qualifying Modification from Eligible Voters in compliance with PROMESA sections 601(f) and (h) and all other applicable rules, laws, and regulations. All procedures used to distribute the Solicitation Package, including the Ballots, to Eligible Voters, as set forth in the Solicitation Affidavit, were timely, adequate and sufficient and in accordance with PROMESA, applicable securities laws, and all other applicable rules, laws, and regulations. In particular and without limitation, as evidenced by the Solicitation Affidavit and the Voting Certification and as detailed below, (a) the Solicitation Packages were transmitted to all Eligible Voters; (b) Eligible Voters were provided sufficient and reasonable time and notice to submit Ballots; and (c) votes were

tabulated fairly, in good faith, and as set forth in the Solicitation Package and the Voting Certification.

- i. **Voting Record Date.** Holders of record of Participating Bonds that were Outstanding were determined as of July 31, 2018 (the “**Voting Record Date**”)—the date specified in the Solicitation Package for such purpose (such holders, “**Eligible Voters**”).
- ii. **Transmission of Solicitation Packages.** As described in the Solicitation Affidavit and the Solicitation Publication Affidavit, on August 9, 2018, the Information Agent distributed Solicitation Packages to Eligible Voters by (a) first class mail to (i) the address known for each Eligible Voter, (ii) The Depository Trust Company (as the clearing system for Participating Bonds) and (iii) the indenture trustees for the Participating Bonds; (b) next business day delivery to the banks, brokers, dealers, agents and other nominees of Outstanding Participating Bonds; and (c) publishing notice of the Solicitation. Such transmission of the Solicitation Packages, as evidenced by the Solicitation Affidavit and the Solicitation Publication Affidavit, was timely, adequate, and sufficient under the circumstances, and no further transmission of the Solicitation Packages was required.
- iii. **Voting Deadline.** Establishment and notice of the deadline by which Ballots were required to be received by Epiq Corporate Restructuring (the “**Calculation Agent**”) to be counted for or against the Qualifying Modification (the “**Voting Deadline**”) was appropriate and reasonable under the circumstances. The period during which votes were solicited on the Qualifying Modification, as evidenced by the Solicitation Affidavit and the Voting Certification, was a reasonable period of time for Eligible Voters to make an informed decision to approve or reject the Qualifying Modification.

**N. Voting Report.**

20. Prior to the Approval Hearing, the Voting Certification was filed with the Court, certifying the method and results of the Ballots tabulated. As of the Voting Deadline, holders of approximately (i) 100% of the Outstanding Principal amount of Outstanding Participating Bonds in the Guaranteed Bond Claim Pool and 100% of the Outstanding Principal amount of Outstanding Participating Bonds in the Guaranteed Bond Claim Pool that timely voted in the Solicitation and (ii) 74.8% of the Outstanding Principal amount of Outstanding Participating Bonds in the Non-Guaranteed Bond Claim Pool and 97.4% of the Outstanding Principal amount

of Outstanding Participating Bonds in the Non-Guaranteed Bond Claim Pool that voted in the Solicitation voted to approve the Qualifying Modification. As set forth in the Voting Certification, the procedures used to tabulate the Ballots were fair and reasonable. As evidenced by the Voting Certification, votes to approve or reject the Qualifying Modification have been solicited and tabulated fairly and in a manner consistent with PROMESA and each of the Pools of Participating Bonds voted to approve the Qualifying Modification.

**O. Burden of Proof.**

21. GDB and AAFAF, as proponents of the Qualifying Modification, have met their burden of proving the elements of section 601 of PROMESA by a preponderance of the evidence, the applicable evidentiary standard for Approval.

**P. Compliance with the Requirements of PROMESA Section 601.**

22. The Qualifying Modification complies with all applicable provisions of PROMESA section 601.

- i. **Section 601(d)—Compliance with Applicable PROMESA Pooling Requirements.** On May 8, 2018, the Oversight Board, as the Administrative Supervisor, established the two Pools pursuant to PROMESA section 601(d). *See* Uhland Decl., Ex. L. The Qualifying Modification classifies each Participating Bond into one of two Pools based on whether the Participating Bond benefits from a guarantee by the Commonwealth, as set forth in Exhibits C and D to the Solicitation Statement. No Participating Bonds that have identical rights in security or priority have been placed into separate Pools, and no Participating Bonds other than those benefiting from a guarantee by the Commonwealth are entitled to a separate Pool under PROMESA. The pooling of GDB's Participating Bonds set forth in Exhibits C and D to the Solicitation Statement complies with the pooling requirements under PROMESA. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(d).
- ii. **Section 601(e)—GDB is An Authorized Territorial Instrumentality.** On July 12, 2017, the Oversight Board, as Administrative Supervisor, authorized GDB pursuant to section 601(e) of PROMESA to be eligible to avail itself of the procedures under section 601 of PROMESA, thereby establishing GDB as an Authorized Territorial Instrumentality. *See* Uhland Decl., Ex. J. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(e).

- iii. **Section 601(f)—Compliance with the Information Delivery Requirement.** Prior to Solicitation, GDB delivered to the Oversight Board, as Administrative Supervisor, the Calculation Agent, and the Information Agent a copy of the Solicitation Package, which included the Preliminary Offering Memorandum, which provides, among other things, (a) sufficient descriptions of (i) GDB's economic and financial circumstances, (ii) GDB's existing debts and (iii) the impact of the proposed Qualifying Modification on the Commonwealth's and GDB's public debt; (b) a description of any other modifications being sought by GDB affecting any other Pools; (c) a copy of the GDB Fiscal Plan; and (d) sufficient information as required under applicable securities laws. On July 23, 2018, the Oversight Board acknowledged receipt of the Solicitation Package. *See* Uhland Decl., Ex. P. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(f) and the Solicitation Package, including the Preliminary Offering Memorandum provides the information required under applicable securities laws pursuant to PROMESA section 601(f)(4).
- iv. **Section 601(g)—The Modification was Certified by the Oversight Board as a Qualifying Modification.** On July 12, 2017, the Oversight Board, as Administrative Supervisor, certified the RSA as a Qualifying Modification under PROMESA section 601(g)(2) based on (a) its certification of the RSA as a Voluntary Agreement under PROMESA section 104(i)(1); (b) its finding that the Voluntary Agreement became effective under PROMESA section 104(i)(2); and (c) its finding that the Modification proposed by the RSA satisfies the same consideration requirement under PROMESA section 601(g)(1)(B). *See* Uhland Decl., Ex. J. On May 8, 2018, the Oversight Board recertified an amended version of the RSA as a Qualifying Modification. *See* Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(g).
- v. **Section 601(h)—The Qualifying Modification has Been Properly Solicited.** GDB and AAFAF, through the Information Agent and Dealer-Managers, solicited votes for approval or rejection of the Qualifying Modification in compliance with PROMESA, applicable securities laws, and all other applicable rules, laws, and regulations. The Information Agent provided notice of the Solicitation to each holder of Outstanding Participating Bonds by (a) mailing the Solicitation Package by first class mail to (i) the address known for such holder of Outstanding Participating Bonds, (ii) The Depository Trust Company (as the clearing system for Outstanding Participating Bonds), and (iii) the indenture trustee; and (b) delivering Solicitation Packages by next business day service to the banks, brokers, dealers, agents or other nominees of the Outstanding Participating Bonds, as described in the Solicitation Affidavit. The Information Agent also published notice of the Solicitation, as set forth in the Solicitation Publication Affidavit. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(h).
- vi. **Section 601(i)—GDB is Eligible to Propose the Qualifying Modification.** GDB, as an Authorized Territorial Instrumentality that has issued or guaranteed at

least one Bond that is Outstanding, is eligible to propose the Qualifying Modification in accordance with PROMESA section 601(i). The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(i).

- vii. **Section 601(j)—The Voting Requirements Have Been Satisfied Prior to the Approval Hearing.** As evidenced by the Voting Certification and the 601(m) Certification (a) Eligible Voters holding over 50% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool voted to approve the Qualifying Modification; and (b) Eligible Voters holding over 66 2/3% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool that voted in the Solicitation voted to approve the Qualifying Modification. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(j).
- viii. **Section 601(k)—Epiq Corporate Restructuring has been Properly Designated as the Calculation Agent.** Epiq Corporate Restructuring has been properly appointed Calculation Agent, which appointment was confirmed to be acceptable to the Oversight Board, as Administrative Supervisor. *See* Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(k).
- ix. **Section 601(l)—Epiq Corporate Restructuring has been Properly Designated as the Information Agent.** Epiq Corporate Restructuring has been properly appointed Information Agent, which appointment was confirmed to be acceptable to the Oversight Board, as Administrative Supervisor. *See* Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(l).
- x. **Section 601(m)—The Qualifying Modification Satisfies the Requirements Necessary to Become Binding and Effective.** Pursuant to PROMESA section 601(m), (a) the voting requirements of section 601 of PROMESA have been satisfied; (b) the Oversight Board, as Administrative Supervisor, has certified that (i) the Requisite Approvals have been obtained, (ii) the Qualifying Modification complies with the requirements set forth in PROMESA section 104(i)(1), and (iii) any conditions on the effectiveness of the Qualifying Modification have been satisfied or, in the Oversight Board's sole discretion, satisfaction of such conditions (other than those identified in the Qualifying Modification as being non-waivable) has been waived; and (c) this Court has approved the Qualifying Modification pursuant to this Order. Section 601(m)(1)(C) of PROMESA is not applicable because there are no Participating Bond Claims in respect of Participating Bonds secured by a lien on property. The Qualifying Modification therefore satisfies the requirements of section 601(m) of PROMESA.

**Q. Exchange Terms and Conditions.**

23. The Qualifying Modification is the result of extensive arms' length negotiations among GDB, AAFAF, the Oversight Board and significant creditor constituencies of GDB holding Participating Bonds—including the Ad Hoc Group, Bonistas del Patio, Inc., and a number of on-island credit unions or “cooperativas” represented by Alianza de Cooperativistas and Grupo Encuentro Solidario—and the Exchange Terms and Conditions reflect compromises and settlements among GDB, AAFAF, the Oversight Board and the various holders of Participating Bonds form the very foundation of the Qualifying Modification. Accordingly, based upon the record of the Title VI Action, the representations and the evidence proffered, adduced, and presented at the Approval Hearing, the Court finds that (i) the Exchange Terms and Conditions are essential means of implementing the Qualifying Modification, (ii) the Exchange Terms are integral elements of the Qualifying Modification, and (iii) the Qualifying Modification is expressly conditioned upon the satisfaction of the Exchange Conditions.

**R. The Mutual Releases.**

24. Mutual Releases constitute good faith compromises and settlements of the matters covered thereby and are consensual. Such compromises and settlements recognize the significant contributions by parties, including the holders of Participating Bonds, to achieve an efficient and consensual reorganization of GDB, and are made in exchange for consideration, including the release of certain Claims and Causes of Action (each as defined in the Solicitation Statement). The Mutual Releases are an essential and critical provision of the Qualifying Modification and, thus, formed an integral part of the agreement among all parties in interest embodied in the Qualifying Modification. The Mutual Release is in addition to any claims

barred by operation of law under PROMESA section 601(m)(2). As set forth in the Solicitation Statement, the Mutual Releases include the following material terms:

- i. **The Release Parties.** The Release Parties (as defined in the Solicitation Statement) include GDB; the Recovery Authority; the indenture trustee for the New Bonds; each holder of a Participating Bond Claim that does not opt out of the Mutual Releases; Wilmington Trust, National Association, as successor trustee under the 2006 Indenture; UMB Bank, National Association, as trustee under the 2016 Indenture; all persons engaged or retained by the foregoing parties; and any and all officers, directors, affiliates, partners, employees, members, managers, members of the board of managers, advisory board members, direct and indirect sponsors, managed accounts and funds, principals, shareholders, advisors, attorneys, actuaries, financial advisors, accountants, investment bankers, agents, arrangers, professionals, investment managers, fund advisors and representatives of each of the foregoing persons and entities. The Mutual Releases are limited to GDB's current officers, directors, employees agents and other representatives, in their capacity as such.
- ii. **Ability to Opt-out of Mutual Releases.** Any holder of a Participating Bond Claim can opt out of the Mutual Releases. The Mutual Releases will apply only to a holder of a Participating Bond that (i) votes to approve the Qualifying Modification; (ii) does not vote on the Qualifying Modification and does not "opt out" of the Mutual Release by checking the appropriate box on the Ballot; or (iii) rejects the Qualifying Modification and does not "opt out" of the Mutual Release by checking the appropriate box on the Ballot.
- iii. **Scope of Release.** The Mutual Releases will release and discharge any and all Claims, obligations, Causes of Action, and liabilities relating to, among other things: GDB; the Qualifying Modification; GDB's restructuring efforts; any investment with GDB or the purchase, sale or transfer of any security or interest of GDB; any actions or omission with respect to any indebtedness or loans to or from GDB; any other investment in GDB; any Release Party's capacity as an officer, director, employee or agent of, or advisor to, GDB; the subject matter of, or the transactions giving rise to any Participating Bond Claim or other claim treated in the Qualifying Modification or otherwise in connection with GDB's restructuring; the restructuring of any Participating Bond Claim or other claim pursuant to the Qualifying Modification or otherwise in connection with GDB's restructuring; the Solicitation of votes with respect to the Qualifying Modification; and the negotiation, formulation, preparation, entry into or dissemination of documents prepared in connection with GDB's restructuring. For the avoidance of doubt, the Mutual Releases will not release any Claim in respect of any obligations of any party under the Qualifying Modification or any document, instrument or agreement executed to implement the terms of the Qualifying Modification; any Claim of GDB or the Recovery Authority in respect of the enforcement of any asset constituting Restructuring Property or a GDB Retained Loan (as defined in the Solicitation Statement); any Claim in respect of

any obligation of any party under the Keepwell Agreement; any Claim of a holder of a Participating Bond Claim against the indenture trustee for the New Bonds under the Bond Indenture; any Claim of the indenture trustee for the New Bonds against the Recovery Authority or the holders of Participating Bond Claims; or any Claim unrelated to the Qualifying Modification or a Participating Bond Claim.

25. The Mutual Releases are: (a) consensual; (b) in exchange for the good and valuable consideration provided by the Release Parties; (c) a good faith settlement and compromise of the claims released by such Release Parties; (d) in the best interests of AAFAF, GDB, the Recovery Authority and GDB's creditors; (e) fair, equitable, and reasonable; (f) appropriately narrow in scope given that they expressly apply to each holder of a Participating Bond only in its capacity as such, and do not release claims unrelated to the Qualifying Modification or a Participating Bond Claim; and (g) a bar to any of the Release Parties asserting any Claim or Cause of Action released pursuant to such Mutual Releases.

## II. ORDER

**BASED ON THE FOREGOING FINDINGS OF FACT AND CONCLUSIONS OF LAW, IT IS ORDERED, ADJUDGED, AND DECREED THAT:**

### A. Findings of Fact and Conclusions of Law.

26. The above-referenced findings of fact and conclusions of law are hereby incorporated by reference as though fully set forth herein and together with the findings and conclusions in the record of the Approval Hearing, shall constitute findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure. To the extent that any finding of fact is determined to be a conclusion of law, it is deemed so, and vice versa.

### B. Notice of the Approval Hearing.

27. Notice of the Approval Hearing was adequate and sufficient under the circumstances, and all parties required to be given notice of the Approval Hearing and the deadlines for voting to approve or reject the Qualifying Modification as well as objecting to the

Qualifying Modification and seeking discovery with respect thereto were given due, proper, timely, and adequate notice in accordance with the Approval Procedures Order and the Notice of Intention to Object Order and in compliance with applicable law, and such parties had an opportunity to appear and be heard with respect thereto. No other or further notice is required.

**C. Approval of the Qualifying Modification.**

28. The Qualifying Modification, including the Exchange Terms, is approved and binding in its entirety pursuant to PROMESA sections 601(m)(1)(D), 601(n), and 602. To the extent that any objections, notices of intentions to object or reservations of rights to Approval of the Qualifying Modification have not been resolved, withdrawn, waived, or settled prior to entry of this Approval Order or otherwise resolved by the relief granted herein or as stated by GDB and AAFAF on the record of the Approval Hearing, all such objections are overruled on the merits.

**D. Binding Effect.**

29. The entry of this Order is deemed to satisfy section 601(m)(1)(D) of PROMESA. Upon the entry of this Order, and subject to the occurrence of the Closing Date, the Qualifying Modification, including the Exchange Terms, shall be conclusive and binding and therefore shall be valid and binding in accordance with section 601(m)(2) of PROMESA.

**E. Authorizations to Undertake the Qualifying Modification.**

30. On or after the Closing Date, GDB, AAFAF, the Recovery Authority and the indenture trustee for the New Bonds shall be authorized to enter into all transactions and take such other actions as may be necessary or appropriate to effectuate the Qualifying Modification in accordance with the Exchange Terms and subject to the Exchange Conditions, including (i) the issuance of the New Bonds by the Recovery Authority secured by the statutory lien on the

Restructuring Property, (ii) the irrevocable transfer of the Transferred Property by GDB to the Recovery Authority, (iii) the retention of the Servicer and the Collateral Monitor, including execution of the Servicing Agreement and any other necessary agreements or documents, (iv) the cancellation of the Participating Bonds, (v) the execution of the Keepwell Agreement and (vi) the consensual release of claims pursuant to the Mutual Releases. In effecting the Qualifying Modification, GDB, AAFAF, and the Recovery Authority shall be permitted to (a) execute and deliver appropriate agreements or other documents containing terms that are consistent with the Exchange Terms that satisfy the requirements of applicable state and territory law and such other terms to which the applicable entities may agree; (b) execute and deliver appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the Exchange Terms and having such other terms to which the applicable entities may agree; and (c) take all other actions that the GDB, AAFAF and the Recovery Authority determine to be necessary or appropriate in connection with such transactions.

**F. Vesting of Assets.**

31. On the Closing Date, pursuant to section 601(m)(2) of PROMESA and the terms of the Qualifying Modification, all property of GDB shall vest in GDB free and clear of all claims in respect of Bonds of any other Issuer, and immediately upon such vesting the Transferred Property shall be irrevocably transferred to the Recovery Authority.

**G. Issuance and Validity of the New Bonds.**

32. On the Closing Date, or as soon thereafter as reasonably practicable, the Recovery Authority shall issue or cause to be issued the New Bonds for distribution in accordance with the Exchange Terms without the need for any further corporate or governmental action. All of the

New Bonds issued pursuant to the Qualifying Modification are hereby deemed authorized and validly issued for due consideration, and shall constitute the legally valid and binding obligations of the Recovery Authority, enforceable against the Recovery Authority in accordance with their terms and secured by a lien on the Restructuring Property pursuant to the GDB Restructuring Act.

**H. Cancellation of Existing Securities and Agreements.**

33. On the Closing Date, upon issuance of the New Bonds, all Participating Bonds and all claims thereon shall be deemed cancelled and the obligations of GDB thereunder or in any way related thereto shall be discharged; provided, however, that any document or agreement that governs the rights of the indenture trustee or a holder of a claim in respect of a Participating Bond shall continue in effect solely for purposes of enabling the indenture trustee or holders of Participating Bonds to receive distributions under the Qualifying Modification, including the New Bonds and rights under the Keepwell Agreement, and nothing in this Order shall effectuate a cancellation of any obligations under the Keepwell Agreement.

**I. The Mutual Releases.**

34. The Mutual Releases are hereby approved and authorized in their entirety. Such provisions are (a) integral parts of the Qualifying Modification; (b) fair, equitable, and reasonable; (c) given for valuable consideration; and (d) in the best interest of GDB, AAFAF, the Recovery Authority, and all parties in interest, and such provisions are incorporated in this Approval Order as if set forth in full herein and are approved and shall be effective and binding on all persons and entities, to the extent provided under the Mutual Releases.

**J. Federal Funds.**

35. Notwithstanding any other provision of this Order or the RSA, (1) all funds (a) provided to a Government Entity (as that term is defined in the GDB Restructuring Act) by any department, agency, or instrumentality of the United States of America and (b) deposited at GDB (the “**Federal Funds**”) shall be used and administered by such Government Entity in compliance with applicable, non-PROMESA federal law and regulations; (2) Federal Funds shall not be used in any way to effect the restructuring of the GDB; and (3) Federal Funds may not be used to set off any debts owed to the GDB by any Government Entity against any deposits such Government Entity has with the GDB.<sup>6</sup>

**K. Reservation of Rights.**

36. The Qualifying Modification shall have no force or effect unless and until the Closing Date. Prior to the Closing Date, none of the filing of the Qualifying Modification, any statement or provision contained in the Qualifying Modification, or action taken by GDB, AAFAF, or the Recovery Authority with respect to the Qualifying Modification shall be, or shall be deemed to be, an admission or waiver of any rights of GDB, AAFAF, or the Recovery Authority or any other party with respect to any Participating Bond or any other matter.

37. Nothing herein shall release any of the rights, claims, obligations, or privileges of GDB, AAFAF, and the Ports Trustee (as defined below) expressly preserved under the Settlement Agreement, dated as of September 10, 2018, by and among GDB, AAFAF, and the

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<sup>6</sup> For the avoidance of doubt, the Federal Funds include the approximately \$15 million held by GDB in the Puerto Rico Highway and Transportation Authority Subordinated Transportation Revenue Bonds (Series 1998) Highway Subaccount of the Puerto Rico State Infrastructure Bank Trust Fund, pursuant to the terms of the Puerto Rico Infrastructure Bank Agreement (attached as Exhibit A to *the Stipulated Withdrawal of 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. [ ]). See *National’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].

Bank of New York Mellon, as indenture trustee (the “**Ports Trustee**” and, together with the GDB and AAFAF, the “**Ports Settlement Parties**”) of the Puerto Rico Infrastructure Financing Authority Revenue Bonds (Ports Authority Project) issued pursuant to a Loan and Trust Agreement by and among Puerto Rico Infrastructure Financing Authority, the Puerto Rico Ports Authority and the Ports Trustee, dated as of December 1, 2011, and the preservation of such rights, claims, obligations, and privileges shall be valid and binding upon all creditors and other parties.

**L. Nonseverability of Qualifying Modification Provisions upon Approval.**

38. This Order constitutes a judicial determination that each term and provision of the Qualifying Modification is: (a) valid and enforceable in accordance with its terms; (b) integral to the Qualifying Modification and may not be deleted or modified without GDB’s consent, subject to any applicable consultation and approval rights and conditions; and (c) nonseverable and mutually dependent.

**M. Authorization to Consummate.**

39. GDB, AAFAF and the Recovery Authority are authorized to consummate the Qualifying Modification and implement the transactions thereunder at any time after the entry of this Approval Order subject to the satisfaction of the conditions precedent to consummation set forth in the Qualifying Modification.

**N. Retention of Jurisdiction.**

40. To the fullest extent permitted by law, and notwithstanding the entry of this Order or the occurrence of the Closing Date, this Court shall retain exclusive jurisdiction over any matter arising under the Qualifying Modification or this Approval Order.

**O. Final Order.**

41. This Order is a final order and the period in which an appeal must be filed shall commence upon entry hereof.

**P. Waiver of Stay.**

42. Notwithstanding Rule 62 of the Federal Rules of Civil Procedures or otherwise, this Order shall be effective and enforceable immediately upon entry. GDB, AAFAF and the Recovery Authority are authorized to consummate the Qualifying Modification at any time after the entry of this Approval Order.

SO ORDERED.

Dated: \_\_\_\_\_, 2018

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Laura Taylor Swain  
United States District Judge

**Exhibit B**

**Blackline**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

THE GOVERNMENT DEVELOPMENT BANK  
FOR PUERTO RICO,

Applicant.

PROMESA

Title VI

Case No. 18-1561 (LTS)

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER  
APPROVING QUALIFYING MODIFICATION FOR THE  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO  
PURSUANT TO SECTION 601(m)(1)(D) OF THE PUERTO RICO  
OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT**

The Government Development Bank for Puerto Rico (the “GDB”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) having:<sup>1</sup>

- ~~a. — obtained certification from the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) of the GDB Restructuring Support Agreement, dated as of May 15, 2017 (as amended, supplemented, or modified, the “RSA”), as a Qualifying Modification pursuant to section 601(g) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”);~~
- b.a. on August 9, 2018, commenced a solicitation of votes on the Qualifying Modification for GDB pursuant to ~~PROMESA~~the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) section 601 (the “Solicitation”) by delivering (i) a copy of the Solicitation Statement, dated August 9, 2018 (the “Solicitation Statement”) including the Preliminary Offering Memorandum, and (ii) one or more ballots, as applicable (the “Ballot(s)”), together ~~(i) and (ii), with the Solicitation Statement,~~ the “Solicitation Package”, to all ~~holders of Outstanding Bonds (the “Participating Bonds”) eligible to vote on the Qualifying Modification (each an “Eligible Voter”)~~ Voters (as of July 31, 2018 (the “Voting Record Date”), defined herein), as evidenced by, among other things, the Affidavit of Solicitation [ECF No. ~~155~~] (the “Solicitation Affidavit”) filed by Epiq Corporate Restructuring (the “Information Agent”) on ~~September 20, 2018;~~
- e.b. caused notice of the Solicitation to be published in (i) El Nuevo Día (in Spanish); (ii) Caribbean Business (in English); (iii) El Diario and El Nuevo Herald (in

<sup>1</sup> Unless otherwise noted herein, capitalized terms not defined in these findings of fact, conclusions of law, and order (collectively, this “Approval Order” or this “Order”) have the meanings ascribed to them in the Approval Application (as defined herein).

Spanish); (iv) The Bond Buyer (in English); and (v) the Wall Street Journal (in English), as evidenced by, among other things, the Affidavit of Publication [ECF No. [•]] (the “**Solicitation Publication Affidavit**”) filed by the Information Agent on [•];

- ~~d.c.~~ filed, on August 10, 2018 (the “**Title VI Application Date**”), 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* [ECF No. 1~~3~~], (the “**Approval Application**”), thereby commencing the above-captioned action under Title VI of PROMESA (the “**Title VI Action**”), pursuant to District of Puerto Rico Local Civil Rule 3.1;
- d. filed, on August 10, 2018, the *Declaration of Suzanne S. Umland, Esq. in Support of 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* [ECF No. 5] (the “**Umland Decl.**”);
- e. filed the *Urgent Motion for Entry of an 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* [ECF No. 3] (the “**Urgent Motion**”), which sought to establish the deadline for (i) parties to file a notice of intention to object to the Qualifying Modification (the “**Notice of Intention to Object Deadline**”) and (ii) filing objections related to the standing of a party to object to the Qualifying Modification (the “**Standing Objection Deadline**”);
- f. filed 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 “**Approval Procedures Motion**”), which sought, among other things, that the Court schedule a hearing on ~~approval~~Approval of the Qualifying Modification (the “**Approval Hearing**”) and establish procedures (the “**Approval Procedures**”) in connection with the Court process to approve the Qualifying Modification;
- g. obtained, on August 10, 2018, the *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* [ECF No. 7] (the “**Notice of Intention to Object Order**”);
- h. caused the Notice of Intention to Object Order to be served on all holders of Participating Bonds, the indenture trustees for the Participating Bonds, and certain other potential objectors, as evidenced by, among other things, the Solicitation Affidavit;

- i. obtained, on September [•],17, 2018, entry of the *Order Approving Procedures and Setting a Schedule for Approval of the Qualifying Modification for the Government Development Bank for Puerto Rico* [ECF No. [•]148] (the “**Approval Procedures Order**”);
- j. caused notice of the Approval Procedures Order, including the Approval Hearing (the “**Hearing Notice**”) to be served on all holders of Participating Bonds, the indenture trustees for the Participating Bonds, and published in (i) *El Nuevo Día* (in Spanish); (ii) *Caribbean Business* (in English); (iii) *El Diario* and *El Nuevo Herald* (in Spanish); (iv) *The Bond Buyer* (in English); and (v) the *Wall Street Journal* (in English), as evidenced by, among other things, the Affidavit of Service [ECF No. [•]] (the “**Hearing Affidavit**”) filed by the Information Agent on [•];
- k. filed, on [•],September 20, 2018, the *Declaration of [•]Jane Sullivan of Epiq Corporate Restructuring, as Calculation Agent, Regarding the Solicitation of Votes and Tabulation of Ballots Cast on the Qualifying Modification Under Title VI of PROMESA* [ECF No. [•]156] (the “**Voting Certification**”), indicating that (i) Eligible Voters holding over 50% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool voted to approve the Qualifying Modification; and (ii) Eligible Voters holding over 66 2/3% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool that voted in the Solicitation voted to approve the Qualifying Modification (the “**Requisite Approvals**”);
- l. filed, on [•], the certification from the Financial Oversight and Management Board, for Puerto Rico (the “Oversight Board”), as Administrative Supervisor, pursuant to PROMESA section 601(m)(1)(B), indicating that the (i) the voting requirements of section 601 of PROMESA have been satisfied; (ii) the Qualifying Modification complies with the requirements set forth in PROMESA section 104(i)(1); and (iii) any conditions (other than those identified in the Qualifying Modification as being non-waivable) on the effectiveness of the Qualifying Modification have been satisfied or, in the Oversight Board’s sole discretion, satisfaction of such conditions has been waived (the “**601(m) Certification**”);

This Court having:

- i. set November 6, 2018, at 10:00 a.m. (Atlantic Standard Time), as the date and time for the commencement of the Approval Hearing;
- ii. reviewed the Solicitation Statement, the Approval Application, the Uhland Declaration, the Voting Certification, the 601(m) Certification, and all pleadings, exhibits, statements, responses, and comments regarding approval of the Qualifying Modification (“**Approval**”), including all objections, statements, and reservations of rights filed on the docket;
- iii. held the Approval Hearing;

- iv. heard the statements, arguments, and objections made by counsel in respect of Approval;
- v. considered all oral representations, documents, filings, and evidence regarding Approval;
- vi. overruled any and all objections (to the extent not withdrawn) to the Qualifying Modification and this Order and all statements and reservation of rights not consensually resolved or withdrawn, unless otherwise indicated; and
- vii. ~~taken judicial notice of~~considered all ~~papers and~~informative pleadings filed in connection with the Title VI Action, ~~all evidence proffered or adduced, and all arguments made at the hearings held before the Court during the pendency of the Title VI Action.~~

NOW, THEREFORE, the Court having found that adequate and appropriate notice of the Approval Hearing and the opportunity for any party to object to Approval has been given; and the record of the Title VI Action and the legal and factual bases set forth in the documents filed in support of Approval and presented at the Approval Hearing including, but not limited to, the Solicitation Statement, the Approval Application, the Uhland Declaration, the Voting Certification, and the 601(m) Certification, establish just cause for the relief granted in this Order; and after due deliberation thereon and good cause appearing therefor, the Court hereby makes and issues the following findings of fact, conclusions of law, and orders:

**I. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

IT IS HEREBY DETERMINED, FOUND, ADJUDGED, DECREED, AND ORDERED THAT:

**A. Findings of Fact and Conclusions of Law.**

1. All findings of fact and conclusions of law announced by the Court at the Approval Hearing in relation to Approval are hereby incorporated into this Approval Order to the extent not inconsistent herewith. To the extent that any of the following constitutes findings of fact or conclusions of law, they are adopted as such.

**B. Jurisdiction.**

2. The Court has subject matter jurisdiction over this matter pursuant to PROMESA section 601(m)(1)(D). The Court has original and exclusive jurisdiction to determine whether the Qualifying Modification complies with the applicable provisions of PROMESA section 601 and should be approved. The Court may properly retain competent jurisdiction over the matters arising out of, or related to, the Title VI Action.

**C. PROMESA Title VI.**

3. The creditor collective action provisions of Title VI of PROMESA provide a method for the Commonwealth of Puerto Rico (the “Commonwealth”) and certain designated agencies and instrumentalities to effectuate a restructuring of their bond financings and other indebtedness based on the consent of a supermajority of those creditors voting in a particular class and can become binding on dissenting creditors in such class. The Oversight Board serves as the “Administrative Supervisor” in Title VI pursuant to PROMESA section 601(a)(1).

**C.D. Eligibility to Avail Itself of Be an Issuer Under Title VI.**

4. An entity may be an “Issuer” under Title VI of PROMESA if such entity (a) is a covered territorial instrumentality (see PROMESA § 601(a)(2)), (b) is specifically authorized—as an “Authorized Territorial Instrumentality”—to be eligible to avail itself of the procedures under section 601 by the Oversight Board, as the Administrative Supervisor (see PROMESA § 601(e)), and (c) has issued or guaranteed at least one Bond<sup>2</sup> that is Outstanding<sup>3</sup> (see PROMESA § 601(a)(8)). On September 30, 2016, the Oversight Board designated GDB as a

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<sup>2</sup> A “Bond” under PROMESA includes a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money. See PROMESA § 5(2).

<sup>3</sup> A Bond is “Outstanding” under PROMESA as long as it is not disqualified under section 601(b) because, for example, it is held by the Issuer or an entity controlled by the Issuer. See PROMESA § 601(a)(10).

covered territorial instrumentality.<sup>4</sup> On July 12, 2017, the Oversight Board issued a resolution authorizing GDB to avail itself of Title VI and designating GDB as an Authorized Territorial Instrumentality. See Uhland Decl., Ex. J. As evidenced by the public bonds, deposits, letters of credit and debt service deposit agreement listed in Exhibits C and D to the Solicitation Statement—each of which qualifies as a Bond under PROMESA (as described further below)—GDB has issued at least one Bond. In addition, as evidenced by the certification of disenfranchised Bonds delivered by GDB to the Calculation Agent (as defined below) pursuant to section 601(c), all but two of such Bonds listed in Exhibits C and D to the Solicitation Statement are Outstanding. See Uhland Decl., Ex. Q. GDB thus was and continues to be eligible to be an Issuer under Title VI of PROMESA.

**E. GDB Validly Proposed the RSA as a Modification.**

5. Pursuant to PROMESA section 601(i), a Modification<sup>5</sup> may be proposed to the Oversight Board, as Administrative Supervisor, by an Issuer. Because GDB is eligible to be an Issuer, it may properly propose a Modification under PROMESA section 601(i).

6. On May 15, 2017, GDB, AAFAF and the holders of a significant portion of Participating Bonds entered into a Restructuring Support Agreement, which sets forth the terms and conditions for a consensual restructuring of the Participating Bonds under Title VI of PROMESA (as amended by the First Amendment to the Restructuring Support Agreement, dated October 20, 2017, the Second Amendment to the Restructuring Support Agreement, dated December 20, 2017, the Third Amendment to the Restructuring Support Agreement, dated

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<sup>4</sup> See Financial Oversight and Management Board for Puerto Rico, First Meeting of the Board, Minutes (Sept. 30, 2016).

<sup>5</sup> A “Modification” can be any modification, amendment, supplement or waiver affecting one or more series of Bonds, including those effected by way of exchange, repurchase, conversion or substitution. See PROMESA § 601(a)(9).

March 20, 2018, the Fourth Amendment to the Restructuring Support Agreement, dated April 6, 2018, the Fifth Amendment to the Restructuring Support Agreement, dated June 8, 2018, and the Sixth Amendment to the Restructuring Support Agreement, dated August 3, 2018, the “RSA”).  
See Uhland Decl., Exs. C–I.

7. The Participating Bonds include the following indebtedness of GDB (each, a “Participating Bond”):

- i. the public bonds issued and outstanding pursuant to that certain trust indenture, dated as of February 17, 2006, as amended or supplemented (the “2006 Indenture”), between GDB and Wilmington Trust, National Association, as successor trustee, as identified on Exhibits C and D to the Solicitation Statement;
- ii. the public bonds, issued and outstanding pursuant to that certain trust indenture, dated as of April 29, 2016, as amended or supplemented (the “2016 Indenture”), between GDB and UMB Bank, National Association, as trustee, as identified on Exhibit C to the Solicitation Statement;
- iii. certain deposits at GDB after giving effect to the adjustments pursuant to the GDB Restructuring Act (as defined below) on the Closing Date, as identified on Exhibit C to the Solicitation Statement;
- iv. a direct-pay letter of credit, dated as of December 28, 2011, issued by GDB in favor of The Bank of New York Mellon, as trustee, for the payment of principal due and interest accrued on the Puerto Rico Infrastructure Financing Authority Revenue Bonds (Ports Authority Project), 2011 Series A (Federally Taxable) and 2011 Series B (Non-AMT) issued under that certain Loan and Trust Agreement, dated as of December 1, 2011, among the Puerto Rico Infrastructure Financing Authority, the Puerto Rico Ports Authority and The Bank of New York Mellon, as trustee, as identified on Exhibit C to the Solicitation Statement;
- v. three stand-by letters of credit, dated as of August 18, 2011, December 15, 2011 and June 28, 2012, issued by GDB in favor of U.S. Bank Trust National Association, as trustee, for the payment, under limited circumstances, of Puerto Rico Public Finance Corporation Bonds, 2011 Series A (Commonwealth Appropriation Bonds), 2011 Series B (Commonwealth Appropriation Bonds) and 2012 Series A (Commonwealth Appropriation Bonds) issued under that certain trust agreement, dated as of June 1, 2004, between the Puerto Rico Public Finance Corporation and U.S. Bank Trust National Association, as trustee, as identified on Exhibit C to the Solicitation Statement; and

vi. a debt service deposit agreement, dated as of June 6, 2005, as amended, among GDB, the Commonwealth and Lehman Brothers Special Financing, Inc., as identified on Exhibit C to the Solicitation Statement.

Each Participating Bond constitutes a Bond under PROMESA section 5(2) because it is either a bond, loan, letter of credit, other borrowing title, obligation of insurance or other financial indebtedness for borrowed money.

8. The restructuring of the Participating Bonds on the terms and subject to the conditions set forth in the RSA constitutes a Modification under PROMESA section 601(a)(9) because it provides for the modification, amendment, supplement and waiver of the Participating Bonds to be effected by way of an exchange transaction, as more fully described below. See Uhland Decl., Exs. C–I.

9. On June 30, 2017, GDB, as Issuer, validly proposed to the Oversight Board, as Administrative Supervisor, the RSA as a Modification of the Participating Bonds under Title VI in compliance with section 601(i) of PROMESA. See Uhland Decl., Ex. J.

**F. The Oversight Board Certified the Modification as a Qualifying Modification.**

10. On July 12, 2017, the Oversight Board, as the Administrative Supervisor, certified the RSA pursuant to the “Voluntary Agreement Process” set forth in PROMESA section 601(g)(2)(A)–(B), thereby establishing the Modification contemplated by the RSA as a Qualifying Modification. See Uhland Decl., Ex. J. On May 8, 2018, the Oversight Board, as Administrative Supervisor, recertified an amended version of the Modification contemplated by the RSA as a Qualifying Modification. See Uhland Decl., Ex. L.

11. In certifying the Modification contemplated by the RSA as a Qualifying Modification, the Oversight Board determined that (i) the RSA constitutes a voluntary agreement (a “**Voluntary Agreement**”) that conforms to the GDB Fiscal Plan and provides for a sustainable level of debt, in accordance with PROMESA section 104(i)(1)(A); (ii) such

Voluntary Agreement became effective because the holders of a majority in amount of Bond Claims (as defined in PROMESA) in respect of the Participating Bonds (“**Participating Bond Claims**”) entered into the RSA, in accordance with PROMESA section 104(i)(2)(B); and (iii) the Modification satisfies PROMESA’s requirement that each holder in the same Pool receive the same consideration, in accordance with section 601(g)(1)(B). See Uhland Decl., Exs. J, L.

**G. Establishment of Pools.**

12. Under section 601(d) of PROMESA, the Oversight Board, as Administrative Supervisor, in consultation with the Issuer, is required to establish classes of Bonds—called “Pools”—for purposes of voting on the Qualifying Modification based on certain prescribed classification requirements. Each Participating Bond Claim is placed into one of two Pools established for the Qualifying Modification: (i) a Pool for Participating Bond Claims that benefit from a Commonwealth guarantee (the “**Guaranteed Bond Claim Pool**”) and (ii) a Pool for all other Participating Bond Claims that do not benefit from a Commonwealth guarantee (the “**Non-Guaranteed Bond Claim Pool**”). See Uhland Decl., Ex. O. The Guaranteed Bond Claim Pool includes only Participating Bond Claims in respect of the Senior Guaranteed Notes (2013) Series B-1 issued and outstanding pursuant to the certain trust indenture, dated as of February 17, 2006, between GDB and Wilmington Trust, National Association, as successor trustee, which Participating Bonds have the benefit of a guarantee by the Commonwealth, as identified on Exhibit D to the Solicitation Statement. The Non-Guaranteed Bond Claim Pool includes all other Participating Bond Claims, as identified on Exhibit C to the Solicitation Statement. There are no other Participating Bond Claims other than those identified in Exhibits C and D to the Solicitation Statement, and there are no other GDB Bonds (other than the Participating Bonds) that are subject to the Qualifying Modification. On May 8, 2018, the Oversight Board, as

Administrative Supervisor, issued a resolution establishing, after consultation with GDB, the Non-Guaranteed Bond Claims Pool and the Guaranteed Bond Claims Pool as separate Pools and the only Pools pursuant to PROMESA section 601(d). See Uhland Decl., Ex. L.

**H. The Terms of the Qualifying Modification.**

13. The Qualifying Modification of the Participating Bonds is to be effected by an exchange, on the terms and subject to the conditions set forth in the RSA and the Solicitation Statement, pursuant to which (i) holders of Participating Bonds have agreed to the cancellation of their Participating Bonds in exchange for new secured bonds (the “New Bonds”) issued by the Recovery Authority (as defined below); (ii) the Recovery Authority has agreed to issue the New Bonds to holders of Participating Bonds in exchange for the irrevocable transfer of the Transferred Property (as defined below) by GDB to the Recovery Authority; and (iii) GDB has agreed to irrevocably transfer the Transferred Property to the Recovery Authority in consideration for the Recovery Authority’s issuance of the New Bonds to the holders of Participating Bonds in exchange for the cancellation of the Participating Bonds. The parties to the Qualifying Modification have agreed to effectuate the foregoing exchange pursuant to the terms more particularly set forth in the RSA and described in the Solicitation Statement (the “Exchange Terms”), including:

- i. **Bond Issuance.** On the Closing Date, or as soon thereafter as reasonably practicable, the Recovery Authority will issue, to each holder of Participating Bonds, without the need for any further corporate or governmental action, New Bonds having a face amount equal to 55% of such holder’s Participating Bond Claim. The New Bonds will be issued with the terms described in the Solicitation Statement, including that they will have a 7.500% annual coupon rate, payable on each February 20 and August 20, with the final scheduled payment date on the New Bonds expected to be August 20, 2040. The New Bonds will be validly issued for due consideration and constitute legally valid and binding obligations of the Recovery Authority, enforceable against the Recovery Authority in accordance with their terms.

3. ~~Vesting of Assets. GDB was and continues to be eligible to avail itself of the procedures set forth in Title VI of PROMESA.~~

- ii. ~~On the Closing Date all assets of GDB will vest in GDB free and clear of all claims in respect of any Bond of any other Issuer, pursuant to PROMESA section 601(m)(2).~~
- iii. ~~**Asset Transfer.** On the Closing Date, GDB will transfer all of its assets as of July 1, 2018 (other than the Public Entity Trust Assets and the other Excluded GDB Assets (each as defined in the Solicitation Statement)) (such assets transferred on the Closing Date and from time to time thereafter, the “**Transferred Property**”) to the Recovery Authority, which transfer will be an irrevocable, non-voidable and absolute transfer of all of GDB’s legal and equitable right, title and interest in and to, and not a pledge or other financing of, the Transferred Property.~~
- iv. ~~**Collateral.** Immediately upon issuance on the Closing Date, the New Bonds will be secured by a statutory lien under the GDB Restructuring Act on the Transferred Property and all assets, collections, fees, charges, proceeds, revenues, rents, insurance payments, income or other funds generated thereby, or received by the Recovery Authority, the Servicer or GDB in respect thereof, including in respect of the administration or reinvestment thereof, on or after July 1, 2018 (collectively, the “**Restructuring Property**”). The Restructuring Property will be managed by a designated independent servicer (the “**Servicer**”) retained by the Recovery Authority pursuant to a servicing agreement (the “**Servicing Agreement**”), which will be monitored by a designated independent collateral monitor (“**Collateral Monitor**”) retained by the indenture trustee for the benefit of the holders of the New Bonds.~~
- v. ~~**Cancellation of Participating Bonds.** On the Closing Date, all Participating Bond Claims, including all Participating Bonds will be extinguished and cancelled and holders thereof will immediately and forever cease to have any rights, interests or claims against GDB, the Recovery Authority or any of their assets or any successors or assigns thereof in respect of such Participating Bonds.~~
- vi. ~~**Keepwell Agreement.** On the Closing Date, GDB will enter into a keepwell agreement (the “**Keepwell Agreement**”) pursuant to which GDB will agree to (a) transfer or convey to the indenture trustee for the benefit of the holders of the New Bonds any Restructuring Property received by it after the Closing Date or for which the transfer thereof to the Recovery Authority is deemed invalid or void and (b) indemnify the holders of New Bonds in certain circumstances resulting, among other things, in the impairment of the New Bonds or the rights thereunder.~~
- vii. ~~**Mutual Releases.** GDB, the Recovery Authority, and holders of Participating Bonds (who did not opt out of the Mutual Releases (as defined in the Solicitation Statement)), among other parties, will provide the Mutual Releases releasing each~~

other from certain claims, and causes of action and liabilities related to the Qualifying Modification or the Participating Bonds as described in further detail in paragraphs 24 and 25 below.

14. The Qualifying Modification of the Participating Bonds is subject to and conditioned upon the consummation of the other components of the global restructuring of GDB's outstanding liabilities pursuant to the GDB Restructuring Act, described in further detail in the *Informative Motion Regarding Revised Proposed Order to Approve the Qualifying Modification* [ECF No. [•]] filed by GDB and AAFAF on September 20, 2018, and the satisfaction of the other conditions set forth in the RSA and described in the Solicitation Statement, each of which is required to be certified by the Oversight Board, as Administrative Supervisor, as having been satisfied or waived or as being non-waivable, pursuant to PROMESA section 601(m)(B)(iii) (collectively, the "Exchange Conditions" and, together with the Exchange Terms, the "Exchange Terms and Conditions"), including, among others, the execution and delivery of all definitive documents (including, among others, the Bond Indenture, the Transfer Agreement, the Servicing Agreement, the Collateral Monitor Agreement, the Keepwell Agreement and the governing documents for the Recovery Authority and the Public Entity Deed of Trust (each as defined in the Solicitation Statement)) in form and substance satisfactory to GDB and the RSA Requisite Bondholders (as defined in the RSA).

**D.I. Adoption of the GDB Restructuring Act and Creation of the Recovery Authority.**

4.15. On August 24, 2017, the Governor of the Commonwealth ~~of Puerto Rico (the "Commonwealth")~~ signed into law the *Government Development Bank for Puerto Rico Debt Restructuring Act*, Act No. 109-2017 (as amended, ~~modified or supplemented by Act No. 147-2018~~, the "GDB Restructuring Act"). Pursuant to section 201 of the GDB Restructuring Act, the GDB Debt Recovery Authority (the "Recovery Authority") was created as a statutory public

trust and a governmental instrumentality of the Commonwealth and has and continues to act in such capacity.

**E.J. Commencement of the Title VI Action.**

5.16. On the Title VI Application Date, GDB filed the Approval Application with the Court, pursuant to District of Puerto Rico Local Civil Rule 3.1.

**F.K. Judicial Notice.**

~~6. — The Court takes judicial notice of (and deems admitted into evidence for purposes of Approval) the docket of the Title VI Action maintained by the Clerk of the Court or its duly appointed agent, including all pleadings, affidavits, and other documents on file, all orders entered, all hearing transcripts, and all evidence and arguments made, proffered, or adduced at the hearings held before the Court during the Title VI Action.~~

17. The Court takes judicial notice of all informative pleadings filed in the Title VI Action.

**G.L. Notice.**

7.18. As evidenced by the Solicitation Affidavit, the Solicitation Publication Affidavit, the Hearing Affidavit, the Voting Certification, and the 601(m) Certification, due, adequate, and sufficient notice of the Solicitation and the Approval Hearing, together with the deadlines for voting to approve or reject the Qualifying Modification as well as objecting to the Qualifying Modification and seeking discovery with respect thereto has been given to, as applicable: (a) all known holders of Participating Bonds; (b) the indenture trustees for the Participating Bonds; and (c) parties that requested notice in the Title VI Action, and no other or further notice is or shall be required.

**H.M. Solicitation.**

8.19. GDB and AAFAF, through the Information Agent and Dealer- Managers, (as defined in the Solicitation Statement), solicited votes for approval or rejection of the Qualifying Modification from Eligible Voters in compliance with PROMESA sections 601(f) and (h) and all other applicable rules, laws, and regulations. All procedures used to distribute the Solicitation Package, including the Ballots, to ~~the applicable holders of Participating Bonds~~ Eligible Voters, as set forth in the Solicitation Affidavit, were timely, adequate and sufficient and in accordance with PROMESA, applicable securities laws, and all other applicable rules, laws, and regulations. In particular and without limitation, as evidenced by the Solicitation Affidavit and the Voting Certification and as detailed below, (a) the Solicitation Packages were transmitted to all Eligible Voters; (b) Eligible Voters were provided sufficient and reasonable time and notice to submit Ballots; and (c) votes were tabulated fairly, in good faith, and as set forth in the Solicitation Package and the Voting Certification.

- i. **Voting Record Date.** Holders of record of Participating Bonds that were Outstanding were determined as of July 31, 2018 (the “**Voting Record Date**”)— the date specified in the Solicitation Package for such purpose (such holders, “**Eligible Voters**”).
- ii. **Transmission of Solicitation Packages.** As described in the Solicitation Affidavit and the Solicitation Publication Affidavit, on August 9, 2018, the Information Agent distributed Solicitation Packages to Eligible Voters by (a) first class mail to (i) the address known for each Eligible Voter, (ii) The Depository Trust Company (as the clearing system for Participating Bonds) and (iii) the indenture trustees for the Participating Bonds; (b) next business day delivery to the banks, brokers, dealers, agents and other nominees of Outstanding Participating Bonds; and (c) publishing notice of the Solicitation. Such transmission of the Solicitation Packages, as evidenced by the Solicitation Affidavit and the Solicitation Publication Affidavit, was timely, adequate, and sufficient under the circumstances, and no further transmission of the Solicitation Packages was required.
- iii. **Voting Deadline.** Establishment and notice of the deadline by which Ballots were required to be received by Epiq Corporate Restructuring (the “**Calculation Agent**”) to be counted for or against the Qualifying Modification (the “**Voting**

Deadline”) was appropriate and reasonable under the circumstances. The period during which votes were solicited on the Qualifying Modification, as evidenced by the Solicitation Affidavit and the Voting Certification, was a reasonable period of time for Eligible Voters to make an informed decision to approve or reject the Qualifying Modification.

**I.N. Voting Report.**

9.20. Prior to the Approval Hearing, the Voting Certification was filed with the Court, certifying the method and results of the Ballots tabulated. As of the Voting Deadline, holders of approximately (i) ~~100%~~ 100% of the Outstanding Principal amount of Outstanding Participating Bonds in the Guaranteed Bond Claim Pool and ~~100%~~ 100% of the Outstanding Principal amount of Outstanding Participating Bonds in the Guaranteed Bond Claim Pool that timely voted in the Solicitation and (ii) ~~74.8%~~ 74.8% of the Outstanding Principal amount of Outstanding Participating Bonds in the Non-Guaranteed Bond Claim Pool and ~~97.4%~~ 97.4% of the Outstanding Principal amount of Outstanding Participating Bonds in the Non-Guaranteed Bond Claim Pool that voted in the Solicitation voted to approve the Qualifying Modification. As set forth in the Voting Certification, the procedures used to tabulate the Ballots were fair and reasonable. As evidenced by the Voting Certification, votes to approve or reject the Qualifying Modification have been solicited and tabulated fairly and in a manner consistent with PROMESA and each of the Pools of Participating Bonds voted to approve the Qualifying Modification.

**O. Burden of Proof.**

21. GDB and AAFAF, as proponents of the Qualifying Modification, have met their burden of proving the elements of section 601 of PROMESA by a preponderance of the evidence, the applicable evidentiary standard for Approval.

**J.P. Compliance with the Requirements of PROMESA Section 601.**

10.22. The Qualifying Modification complies with all applicable provisions of PROMESA section 601.

- i. **Section 601(d)—Compliance with Applicable PROMESA Pooling Requirements.** On May 8, 2018, the Oversight Board, as the Administrative Supervisor, established the two Pools pursuant to PROMESA section 601(d). See Uhland Decl., Ex. L. The Qualifying Modification classifies ~~at~~<sup>a</sup> ~~each~~ Participating ~~Bonds~~<sup>Bond</sup> into one of two Pools based on whether the Participating Bond benefits from a guarantee by the Commonwealth. ~~On May 8, 2018, the Oversight Board, as the Administrative Supervisor, established the two Pools pursuant to PROMESA section 601(d), as set forth in Exhibits C and D to the Solicitation Statement.~~ No Participating Bonds that have identical rights in security or priority have been placed into separate Pools, and no Participating Bonds other than those benefiting from a guarantee by the Commonwealth are entitled to a separate Pool under PROMESA. The pooling of GDB’s Participating Bonds set forth in Exhibits C and D to the Solicitation Statement complies with the pooling requirements under PROMESA. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(d).
- ii. **Section 601(e)—GDB is An Authorized Territorial Instrumentality.** On July 12, 2017, the Oversight Board, as Administrative Supervisor, authorized GDB pursuant to section 601(e) of PROMESA to be eligible to avail itself of the procedures under section 601 of PROMESA, thereby establishing GDB as an Authorized Territorial Instrumentality. See Uhland Decl., Ex. J. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(e).
- iii. **Section 601(f)—Compliance with the Information Delivery Requirement.** Prior to Solicitation, GDB delivered to the Oversight Board, as Administrative Supervisor, the Calculation Agent, and the Information Agent a copy of the Solicitation Package, which included the Preliminary Offering Memorandum, which provides, among other things, ~~(i)~~<sup>(ia)</sup> sufficient descriptions of ~~(a)~~<sup>(ai)</sup> GDB’s economic and financial circumstances, ~~(b)~~<sup>(bi)</sup> GDB’s existing debts and ~~(c)~~<sup>(cii)</sup> the impact of the proposed Qualifying Modification on the Commonwealth’s and GDB’s public debt; ~~(h)~~<sup>(hb)</sup> a description of any other modifications being sought by GDB affecting any other Pools; ~~(i)~~<sup>(ic)</sup> a copy of the GDB Fiscal Plan; and ~~(iv)~~<sup>(id)</sup> sufficient information as required under applicable securities laws. On July 23, 2018, the Oversight Board acknowledged receipt of the Solicitation Package. See Uhland Decl., Ex. P. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(f) and the Solicitation Package, including the Preliminary Offering Memorandum provides the information required under applicable securities laws pursuant to PROMESA section 601(f)(4).
- iv. **Section 601(g)—The Modification was Certified by the Oversight Board as a Qualifying Modification.** On July 12, 2017, the Oversight Board, as Administrative Supervisor, certified the RSA as a Qualifying Modification under PROMESA section 601(g)(2) based on ~~(i)~~<sup>(ia)</sup> its certification of the RSA as a Voluntary Agreement under PROMESA section 104(i)(1); ~~(h)~~<sup>(hb)</sup> its finding that the Voluntary Agreement became effective under PROMESA section 104(i)(2); and ~~(i)~~<sup>(ic)</sup> its finding that the Modification proposed by the RSA satisfies the same consideration requirement under PROMESA section 601(g)(1)(B). See Uhland

Decl., Ex. J. On May 8, 2018, the Oversight Board recertified an amended version of the RSA as a Qualifying Modification. See Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(g).

- v. **Section 601(h)—The Qualifying Modification has Been Properly Solicited.** GDB and AAFAF, through the Information Agent and Dealer-Managers, solicited votes for approval ~~and/or~~ rejection of the Qualifying Modification in compliance with PROMESA, applicable securities laws, and all other applicable rules, laws, and regulations. The Information Agent provided notice of the Solicitation to each holder of Outstanding Participating Bonds by ~~mailing the Solicitation Package by first class mail to~~ (a) mailing the Solicitation Package by first class mail to (i) the address known for such holder of Outstanding Participating Bonds, (ii) The Depository Trust Company (as the clearing system for Outstanding Participating Bonds); and (iii) the indenture trustee; and (b) delivering Solicitation Packages by next business day service to the banks, brokers, dealers, agents or other nominees of the Outstanding Participating Bonds, as described in the Solicitation Affidavit. The Information Agent also published notice of the Solicitation, as set forth in the Solicitation Publication Affidavit. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(h).
- vi. **Section 601(i)—GDB is Eligible to Propose the Qualifying Modification.** GDB, as an Authorized Territorial Instrumentality that has issued or guaranteed at least one Bond that is Outstanding, is eligible to propose the Qualifying Modification in accordance with PROMESA section 601(i). The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(i).
- vii. **Section 601(j)—The Voting Requirements Have Been Satisfied Prior to the Approval Hearing.** As evidenced by the Voting Certification and the 601(m) Certification (a) Eligible Voters holding over 50% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool voted to approve the Qualifying Modification; and (b) Eligible Voters holding over 66 2/3% of the Outstanding Principal amount of Outstanding Participating Bonds in each Pool that voted in the Solicitation voted to approve the Qualifying Modification. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(j).
- viii. **Section 601(k)—Epiq Corporate Restructuring has been Properly Designated as the Calculation Agent.** Epiq Corporate Restructuring has been properly appointed Calculation Agent, which appointment was confirmed to be acceptable to the Oversight Board, as Administrative Supervisor. See Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(k).
- ix. **Section 601(l)—Epiq Corporate Restructuring has been Properly Designated as the Information Agent.** Epiq Corporate Restructuring has been properly appointed Information Agent, which appointment was confirmed to be acceptable

to the Oversight Board, as Administrative Supervisor. See Uhland Decl., Ex. L. The Qualifying Modification therefore satisfies the requirements of PROMESA section 601(l).

- x. **Section 601(m)—The Qualifying Modification Satisfies the Requirements Necessary to Become Binding and Effective.** Pursuant to PROMESA section 601(m), ~~(ia)~~ the voting requirements of section 601 of PROMESA have been satisfied; ~~(ib)~~ the Oversight Board, as Administrative Supervisor, has certified that ~~(ai)~~ the Requisite Approvals have been obtained; ~~(b, (ii))~~ the Qualifying Modification complies with the requirements set forth in PROMESA section 104(i)(1); ~~(e)–(iii))~~ any conditions ~~(other than those identified in the Qualifying Modification as being non-waivable)~~ on the effectiveness of the Qualifying Modification have been satisfied or, in the Oversight Board’s sole discretion, satisfaction of such conditions (other than those identified in the Qualifying Modification as being non-waivable) has been waived; and ~~(iic)~~ this Court has approved the Qualifying Modification pursuant to this Order. Section 601(m)(1)(C) of PROMESA is not applicable because there are no Participating Bond Claims in respect of Participating Bonds secured by a lien on property. The Qualifying Modification therefore satisfies the requirements of section 601(m) of PROMESA.

**Q. Exchange Terms and Conditions.**

23. The Qualifying Modification is the result of extensive arms’ length negotiations among GDB, AAFAF, the Oversight Board and significant creditor constituencies of GDB holding Participating Bonds—including the Ad Hoc Group, Bonistas del Patio, Inc., and a number of on-island credit unions or “cooperativas” represented by Alianza de Cooperativistas and Grupo Encuentro Solidario—and the Exchange Terms and Conditions reflect compromises and settlements among GDB, AAFAF, the Oversight Board and the various holders of Participating Bonds form the very foundation of the Qualifying Modification. Accordingly, based upon the record of the Title VI Action, the representations and the evidence proffered, adduced, and presented at the Approval Hearing, the Court finds that (i) the Exchange Terms and Conditions are essential means of implementing the Qualifying Modification, (ii) the Exchange Terms are integral elements of the Qualifying Modification, and (iii) the Qualifying Modification is expressly conditioned upon the satisfaction of the Exchange Conditions.

**R. The Mutual Releases.**

24. Mutual Releases constitute good faith compromises and settlements of the matters covered thereby and are consensual. Such compromises and settlements recognize the significant contributions by parties, including the holders of Participating Bonds, to achieve an efficient and consensual reorganization of GDB, and are made in exchange for consideration, including the release of certain Claims and Causes of Action (each as defined in the Solicitation Statement). The Mutual Releases are an essential and critical provision of the Qualifying Modification and, thus, formed an integral part of the agreement among all parties in interest embodied in the Qualifying Modification. The Mutual Release is in addition to any claims barred by operation of law under PROMESA section 601(m)(2). As set forth in the Solicitation Statement, the Mutual Releases include the following material terms:

- i. **The Release Parties.** The Release Parties (as defined in the Solicitation Statement) include GDB; the Recovery Authority; the indenture trustee for the New Bonds; each holder of a Participating Bond Claim that does not opt out of the Mutual Releases; Wilmington Trust, National Association, as successor trustee under the 2006 Indenture; UMB Bank, National Association, as trustee under the 2016 Indenture; all persons engaged or retained by the foregoing parties; and any and all officers, directors, affiliates, partners, employees, members, managers, members of the board of managers, advisory board members, direct and indirect sponsors, managed accounts and funds, principals, shareholders, advisors, attorneys, actuaries, financial advisors, accountants, investment bankers, agents, arrangers, professionals, investment managers, fund advisors and representatives of each of the foregoing persons and entities. The Mutual Releases are limited to GDB's current officers, directors, employees agents and other representatives, in their capacity as such.
- ii. **Ability to Opt-out of Mutual Releases.** Any holder of a Participating Bond Claim can opt out of the Mutual Releases. The Mutual Releases will apply only to a holder of a Participating Bond that (i) votes to approve the Qualifying Modification; (ii) does not vote on the Qualifying Modification and does not "opt out" of the Mutual Release by checking the appropriate box on the Ballot; or (iii) rejects the Qualifying Modification and does not "opt out" of the Mutual Release by checking the appropriate box on the Ballot.
- iii. **Scope of Release.** The Mutual Releases will release and discharge any and all Claims, obligations, Causes of Action, and liabilities relating to, among other

things: GDB; the Qualifying Modification; GDB's restructuring efforts; any investment with GDB or the purchase, sale or transfer of any security or interest of GDB; any actions or omission with respect to any indebtedness or loans to or from GDB; any other investment in GDB; any Release Party's capacity as an officer, director, employee or agent of, or advisor to, GDB; the subject matter of, or the transactions giving rise to any Participating Bond Claim or other claim treated in the Qualifying Modification or otherwise in connection with GDB's restructuring; the restructuring of any Participating Bond Claim or other claim pursuant to the Qualifying Modification or otherwise in connection with GDB's restructuring; the Solicitation of votes with respect to the Qualifying Modification; and the negotiation, formulation, preparation, entry into or dissemination of documents prepared in connection with GDB's restructuring. For the avoidance of doubt, the Mutual Releases will not release any Claim in respect of any obligations of any party under the Qualifying Modification or any document, instrument or agreement executed to implement the terms of the Qualifying Modification; any Claim of GDB or the Recovery Authority in respect of the enforcement of any asset constituting Restructuring Property or a GDB Retained Loan (as defined in the Solicitation Statement); any Claim in respect of any obligation of any party under the Keepwell Agreement; any Claim of a holder of a Participating Bond Claim against the indenture trustee for the New Bonds under the Bond Indenture; any Claim of the indenture trustee for the New Bonds against the Recovery Authority or the holders of Participating Bond Claims; or any Claim unrelated to the Qualifying Modification or a Participating Bond Claim.

25. The Mutual Releases are: (a) consensual; (b) in exchange for the good and valuable consideration provided by the Release Parties; (c) a good faith settlement and compromise of the claims released by such Release Parties; (d) in the best interests of AAFAF, GDB, the Recovery Authority and GDB's creditors; (e) fair, equitable, and reasonable; (f) appropriately narrow in scope given that they expressly apply to each holder of a Participating Bond only in its capacity as such, and do not release claims unrelated to the Qualifying Modification or a Participating Bond Claim ; and (g) a bar to any of the Release Parties asserting any Claim or Cause of Action released pursuant to such Mutual Releases.

## II. ORDER

**BASED ON THE FOREGOING FINDINGS OF FACT AND CONCLUSIONS OF LAW, IT IS ORDERED, ADJUDGED, AND DECREED THAT:**

**A. Findings of Fact and Conclusions of Law.**

~~11.26.~~ The above-referenced findings of fact and conclusions of law are hereby incorporated by reference as though fully set forth herein and together with the findings and conclusions in the record of the Approval Hearing, shall constitute findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure. To the extent that any finding of fact is determined to be a conclusion of law, it is deemed so, and vice versa.

**B. Notice of the Approval Hearing.**

~~12.27.~~ Notice of the Approval Hearing was adequate and sufficient under the circumstances, and all parties required to be given notice of the Approval Hearing and the deadlines for voting to approve or reject the Qualifying Modification as well as objecting to the Qualifying Modification and seeking discovery with respect thereto were given due, proper, timely, and adequate notice in accordance with the Approval Procedures Order and the Notice of Intention to Object Order and in compliance with applicable law, and such parties had an opportunity to appear and be heard with respect thereto. No other or further notice is required.

**C. Approval of the Qualifying Modification.**

~~13.28.~~ The Qualifying Modification, including the Exchange Terms, is approved and binding in its entirety pursuant to PROMESA sections 601(m)(1)(D), 601(n), and 602. To the extent that any objections, notices of intentions to object or reservations of rights to Approval of the Qualifying Modification have not been resolved, withdrawn, waived, or settled prior to entry of this Approval Order or otherwise resolved by the relief granted herein or as stated by GDB

and AAFAF on the record of the Approval Hearing, all such objections are overruled on the merits.

**~~D. Vesting of Assets.~~**

~~14. On the Closing Date, pursuant to section 601(m) of PROMESA and the GDB Restructuring Act and in accordance with the terms of the Qualifying Modification, the property of GDB shall vest, as applicable, in GDB and the Recovery Authority, in each case, free and clear of all claims in respect of Bonds of any other issuer.~~

**E.D. Binding Effect.**

29. The entry of this ~~order~~Order is deemed to satisfy section 601(m)(1)(D) of PROMESA. Upon the entry of this Order, and subject to the occurrence of the Closing Date, the Qualifying Modification, including the Exchange Terms, shall be conclusive and binding and therefore shall be valid and binding ~~on any person in accordance with section 601(m)(2) of PROMESA.~~

**E. Authorizations to Undertake the Qualifying Modification.**

30. ~~On or entity asserting claims or other rights, including a beneficial interest (directly or indirectly, as principal, agent, counterpart, subrogee, insurer or otherwise) in respect of Participating Bonds, and any trustee, any collateral agent, any after the Closing Date, GDB, AAFAF, the Recovery Authority and the indenture trustee, any fiscal agent, and any bank that receives or holds funds related for the New Bonds shall be authorized to enter into all transactions and take such Participating Bonds. All property of GDB shall vest in GDB or the Recovery Authority, as applicable, in each case, free and clear of all claims in respect of any Bonds of any other issuer. The other actions as may be necessary or appropriate to effectuate the Qualifying Modification, including all settlements, compromises, releases, discharges, and~~

~~injunctions, shall be full, final, complete, binding, and conclusive as to~~ in accordance with the Commonwealth, all Commonwealth instrumentalities, and any creditors of such entities, and shall not be Exchange Terms and subject to any collateral attack or other challenge the Exchange Conditions, including (i) the issuance of the New Bonds by any such the Recovery Authority secured by the statutory lien on the Restructuring Property, (ii) the irrevocable transfer of the Transferred Property by GDB to the Recovery Authority, (iii) the retention of the Servicer and the Collateral Monitor, including execution of the Servicing Agreement and any other necessary agreements or documents, (iv) the cancellation of the Participating Bonds, (v) the execution of the Keepwell Agreement and (vi) the consensual release of claims pursuant to the Mutual Releases. In effecting the Qualifying Modification, GDB, AAFAF, and the Recovery Authority shall be permitted to (a) execute and deliver appropriate agreements or other documents containing terms that are consistent with the Exchange Terms that satisfy the requirements of applicable state and territory law and such other terms to which the applicable entities may agree; (b) execute and deliver appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the Exchange Terms and having such other terms to which the applicable entities in any court or other forum. Other than as provided herein, no claim or right that may be asserted by any party in a capacity may agree; and (c) take all other than holder actions that the GDB, AAFAF and the Recovery Authority determine to be necessary or appropriate in connection with such transactions.

**F. Vesting of Assets.**

31. On the Closing Date, pursuant to section 601(m)(2) of PROMESA and the terms of a Participating Bond the Qualifying Modification, all property of GDB shall vest in GDB free

and clear of all claims in respect of Bonds of any other Issuer, and immediately upon such vesting the Transferred Property shall be irrevocably transferred to the Recovery Authority.

**G. Issuance and Validity of the New Bonds.**

15.32. On the Closing Date, or as soon thereafter as reasonably practicable, the Recovery Authority shall be satisfied, released, discharged, issue or cause to be issued the New Bonds for distribution in accordance with the Exchange Terms without the need for any further corporate or enjoined by this Order governmental action. All of the New Bonds issued pursuant to the Qualifying Modification are hereby deemed authorized and validly issued for due consideration, and shall constitute the legally valid and binding obligations of the Recovery Authority, enforceable against the Recovery Authority in accordance with their terms and secured by a lien on the Restructuring Property pursuant to the GDB Restructuring Act.

**F.H. Cancellation of Existing Securities and Agreements.**

16.33. On the Closing Date, upon issuance of the New Bonds, all Participating Bonds and all claims thereon shall be deemed cancelled and the obligations of GDB thereunder or in any way related thereto shall be discharged; provided, however, that any document or agreement that governs the rights of the indenture trustee or a holder of a claim in respect of a Participating Bond shall continue in effect solely for purposes of enabling the indenture trustee or holders of Participating Bonds to receive distributions under the Qualifying Modification, including the New Bonds and rights under the Keepwell Agreement, and nothing in this Order shall effectuate a cancellation of any obligations under the Keepwell Agreement.

**I. The Mutual Releases.**

34. The Mutual Releases are hereby approved and authorized in their entirety. Such provisions are (a) integral parts of the Qualifying Modification; (b) fair, equitable, and

reasonable; (c) given for valuable consideration; and (d) in the best interest of GDB, AAFAF, the Recovery Authority, and all parties in interest, and such provisions are incorporated in this Approval Order as if set forth in full herein and are approved and shall be effective and binding on all persons and entities, to the extent provided under the Mutual Releases.

**G.J. Federal Funds.**

17.35. Notwithstanding any other provision of this Order or the RSA, (1) all funds (a) provided to a Government Entity (as that term is defined in the GDB Restructuring Act) by any department, agency, or instrumentality of the United States of America and (b) deposited at GDB (the “**Federal Funds**”) shall be used and administered by such Government Entity in compliance with applicable, non-PROMESA federal law and regulations; (2) Federal Funds shall not be used in any way to effect the restructuring of the GDB; and (3) Federal Funds may not be used to set off any debts owed to the GDB by any Government Entity against any deposits such Government Entity has with the GDB.<sup>6</sup>

**H.K. Reservation of Rights.**

18.36. The Qualifying Modification shall have no force or effect unless and until the Closing Date. Prior to the Closing Date, none of the filing of the Qualifying Modification, any statement or provision contained in the Qualifying Modification, or action taken by GDB, AAFAF, or the Recovery Authority with respect to the Qualifying Modification shall be, or shall

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<sup>6</sup> For the avoidance of doubt, the Federal Funds include the approximately \$15 million held by GDB in the Puerto Rico Highway and Transportation Authority Subordinated Transportation Revenue Bonds (Series 1998) Highway Subaccount of the Puerto Rico State Infrastructure Bank Trust Fund, pursuant to the terms of the Puerto Rico Infrastructure Bank Agreement (attached as Exhibit A to the Stipulated Withdrawal of 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. [ ]). See National’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].

be deemed to be, an admission or waiver of any rights of GDB, AAFAF, or the Recovery Authority or any other party with respect to any Participating Bond or any other matter.

~~19.37.~~ Nothing herein shall release any of the rights, claims, obligations, or privileges of GDB, AAFAF, and the Ports Trustee (as defined below) expressly preserved under the Settlement Agreement, dated as of September 10, 2018, by and among GDB, AAFAF, and the Bank of New York Mellon, as indenture trustee (the “**Ports Trustee**” and, together with the GDB and AAFAF, the “**Ports Settlement Parties**”) of the Puerto Rico Infrastructure Financing Authority Revenue Bonds (Ports Authority Project) issued pursuant to a Loan and Trust Agreement by and among Puerto Rico Infrastructure Financing Authority, the Puerto Rico Ports Authority and the Ports Trustee, dated as of December 1, 2011, and the preservation of such rights, claims, obligations, and privileges shall be valid and binding upon all creditors and other parties.

**I.L. Nonseverability of Qualifying Modification Provisions upon Approval.**

~~20.38.~~ This Order constitutes a judicial determination that each term and provision of the Qualifying Modification is: (a) valid and enforceable in accordance with its terms; (b) integral to the Qualifying Modification and may not be deleted or modified without GDB’s consent, subject to any applicable consultation and approval rights and conditions; and (c) nonseverable and mutually dependent.

**J.M. Authorization to Consummate.**

~~21.39.~~ GDB, AAFAF and the Recovery Authority are authorized to consummate the Qualifying Modification and implement the transactions thereunder at any time after the entry of this Approval Order subject to the satisfaction of the conditions precedent to consummation set forth in the Qualifying Modification.

**K.N. Retention of Jurisdiction.**

22.40. To the fullest extent permitted by law, and notwithstanding the entry of this Order or the occurrence of the Closing Date, this Court shall retain exclusive jurisdiction over any matter arising under the Qualifying Modification or ~~the~~this Approval Order.

**L.O. Final Order.**

23.41. This Order is a final order and the period in which an appeal must be filed shall commence upon entry hereof.

**M.P. Waiver of Stay.**

24.42. Notwithstanding Rule 62 of the Federal Rules of Civil Procedures or otherwise, this Order shall be effective and enforceable immediately upon entry. GDB, AAFAF and the Recovery Authority are authorized to consummate the Qualifying Modification at any time after the entry of this Approval Order.

SO ORDERED.

Dated: \_\_\_\_\_, 2018

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Laura Taylor Swain  
United States District Judge