



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority
Government Development Bank for Puerto Rico

PRESS RELEASE

Wednesday, October 10, 2018

AAFAF and GDB announce the settlement of litigation brought by the official Committee of Unsecured Creditors appointed in the Title III cases

(San Juan, P.R.) —Today, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”, by its Spanish acronym) and the Government Development Bank for Puerto Rico (“GDB”) announced that on October 5, 2018, AAFAF, GDB, the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) and the Official Committee of Unsecured Creditors (the “Committee”) of the debtors with cases pending under Title III of PROMESA (other than COFINA) (the “Title III Debtors”) entered into a stipulation (the “Stipulation”) to settle litigation brought by the Committee that included (i) two motions in the Title III cases seeking relief to challenge the Qualifying Modification, (ii) a lawsuit challenging the GDB Restructuring Act, and (iii) a preliminary objection to the Qualifying Modification in the Title VI case . The District Court entered an order on the Stipulation on October 9, 2018 (as so ordered, the “Committee Settlement Stipulation”).

Terms of the Committee Settlement Stipulation

Pursuant to the terms of the Committee Settlement Stipulation, the Committee shall withdraw, with prejudice, and not refile or otherwise assert or pursue, directly or indirectly, any claims challenging the GDB Restructuring Act, the Qualifying Modification or the GDB restructuring.

The Committee Settlement Stipulation requires that (i) GDB make (a) certain fixed and contingent cash payments to the Public Entity Trust at and after the Closing Date, and (b) certain adjustments to claim amounts against, and the priority of payments within, the Public Entity Trust; and (ii) GDB acknowledge and affirm that certain legal claims with respect to GDB’s prior role as fiscal agent and financial advisor to certain Title III Debtors and other governmental entities (to the extent any such claims exist) are the property of the applicable Title III Debtors and other governmental entities.



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The foregoing summary describes certain terms and conditions of the Committee Settlement Stipulation. Such summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Committee Settlement Stipulation. A full copy of the Committee Settlement Stipulation is incorporated by reference herein and can be found at <http://dm.epiq11.com/#/case/GDB/info>. Except as provided in the immediately preceding sentence, no information from the foregoing website is incorporated by reference into this document.

Anticipated Impact of the Committee Settlement Stipulation on the Qualifying Modification

GDB believes that entering into the Committee Settlement Stipulation is in the best interest of GDB's stakeholders, including public noteholders, depositors (including municipalities) and other parties, because it settles a significant challenge to consummating the Qualifying Modification. By agreeing to the Committee Settlement Stipulation, GDB intends to be able to proceed in an orderly manner to consummate the Qualifying Modification, which has already been approved by Eligible Voters, while minimizing litigation that would otherwise increase GDB's expenses, delay distributions to stakeholders, decrease the value of GDB's assets and otherwise be detrimental to GDB's stakeholders.

GDB believes that entering into the Committee Settlement Stipulation will not change in any material respect the hypothetical scenario analysis set forth in "Appendix F: Hypothetical Amortization of the New Bonds" to the Preliminary Offering Memorandum, which is included as Exhibit E to the Solicitation Statement relating to the solicitation of the Qualifying Modification. GDB believes that, based on the amounts identified in the Committee Settlement Stipulation as compared to the amounts set forth in the Preliminary Offering Memorandum, the aggregate impact of the Committee Settlement Stipulation on the hypothetical return for Bondholders is less than 1% on a net present value basis. The fixed cash payments represent approximately 4% of the aggregate amount of Cash Assets expected to be transferred from GDB to the Issuer on the Closing Date.

As a result of recent collections on the Restructuring Property (including through the sale of Real Property Assets) and lower than projected operating expenses at GDB after the Cutoff Date, the Cash Assets are expected to remain at



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approximately \$488 million (the amount of cash held by GDB, net of the estimated Cash Adjustments, as of the Cutoff Date) notwithstanding the fixed cash payments. The amount of the Cash Assets, however, will continue to vary through the Closing Date and may decrease as a result of various factors, including other potential litigation settlement payments and the final amount of the Cash Adjustments.

Other

Reference is made to the Solicitation Statement, dated August 9, 2018, as supplemented on September 10, 2018 (as so supplemented from time to time, the "Solicitation Statement"). All defined terms used herein but not otherwise defined have the meaning ascribed to them in the Solicitation Statement.

Forward-Looking Statements

This press release includes forward-looking statements, which include, but are not limited to, expectations with respect to the impact of the Settlement on the Qualifying Modification. AAFAF and GDB cannot provide assurances that future developments affecting AAFAF, GDB, the Qualifying Modification or the transactions described in the Solicitation Statement (including the Preliminary Offering Memorandum) will be as anticipated. Actual results may differ materially from those expectations due to a variety of factors. Any forward-looking statement made in this release speaks only as of the date hereof and AAFAF and GDB do not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

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