

**ALL DEPOSITORIES, NOMINEES, BROKERS AND OTHERS:  
PLEASE FACILITATE THE TRANSMISSION OF THIS NOTICE  
TO ALL BENEFICIAL OWNERS. ADDITIONAL COPIES OF  
THIS NOTICE ARE AVAILABLE FOR THIS PURPOSE UPON  
REQUEST AT THE ADDRESS SET FORTH BELOW.**

**NOTICE OF (I) EVENTS OF DEFAULT, (II) FAILURE TO MAKE  
JUNE 1, 2018 INTEREST PAYMENTS, (III) FILING OF PROOFS OF  
CLAIM BY THE TRUSTEE IN TITLE III PROCEEDINGS AND (IV)  
DEVELOPMENTS RELATING TO THE PROPOSED GDB DEBT  
RESTRUCTURING**

**TO THE HOLDERS (THE "HOLDERS") OF  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO  
SENIOR NOTES  
(THE "NOTES")**

**Affected CUSIP Nos.: See Appendix A\***

Ladies and Gentlemen:

Wilmington Trust, N.A., is the successor trustee (the "Trustee") under that certain indenture dated as of February 17, 2006 (the "Base Indenture") by and among the Trustee and the Government Development Bank for Puerto Rico ("GDB" or the "Bank"), a public corporation and government instrumentality for the Commonwealth of Puerto Rico (the "Commonwealth"). Capitalized terms used but not defined herein have the respective meanings given to them in the Indenture (defined herein).

**Events of Default**

The above-referenced Notes were issued pursuant to the Base Indenture, as supplemented by those certain supplemental indentures relating to each series of Notes (the Base Indenture, as so supplemented, the "Indenture").

The Trustee previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB's failure to make scheduled payments of principal and/or interest on May 1, 2016, August 1, 2016, September 1, 2016, October 1, 2016, November 1, 2016, December 1, 2016, January 1, 2017, February 1, 2017, March 1, 2017, April 1, 2017, May

1, 2017, June 1, 2017, July 1, 2017, August 1, 2017, September 1, 2017, October 1, 2017, November 1, 2017, December 1, 2017, January 1, 2018, February 1, 2018, March 1, 2018 and April 1, 2018. Please refer to the Trustee's prior notices for more information regarding those Events of Default.

The Trustee hereby notifies you of the occurrence and continuance of additional Events of Default arising from the GDB's failure to cure the May 1, 2018 interest payment (the "May 1 Payment") default within thirty days.

### **Additional Defaults**

The Trustee hereby further notifies you that GDB failed to pay the interest due and owing as of June 1, 2018. Appendix A attached hereto identifies the specific notes affected by and the dates of the above-mentioned defaults.

### **Extension of Moratorium on Payment of Covered Obligations**

As you were previously notified, on April 30, 2017, Governor Rossello issued an executive order extending to August 1, 2017 the emergency period declared by the Puerto Rico Financial Emergency and Fiscal Responsibility Act (the "Debt Compliance Act"). In extending the emergency period, the Governor also extended for the same period the effectiveness of the moratorium on the payment of all of GDB's "covered obligations" except deposits and interest obligations that do not require payments in cash (the "moratorium"), including payment on the Notes identified on Appendix A hereto, established pursuant to certain executive orders issued under the April 6, 2016 Puerto Rico Emergency Moratorium and Financial Rehabilitation Act (the "Moratorium Act").

On December 28, 2017, pursuant to the authority granted to him under the amended Debt Compliance Act, Governor Rossello issued Executive Order No. OE-2017-076 extending the emergency period and the moratorium through June 30, 2018.

### **PROMESA Oversight Board**

As you were previously notified, on June 30, 2016, former President Obama signed the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") into law. Among other measures, PROMESA mandates the creation of a seven-member Financial Oversight and Management Board (the "Oversight Board"), tasked with managing Puerto Rico's debt restructuring. On August 31, 2016, former President Obama announced appointment of the seven (7) members of the Oversight Board.

The Trustee hereby notifies you that on May 30, 2018, the Oversight Board certified a revised version of its "New Fiscal Plan for Puerto Rico," reflecting compromises of certain issues in dispute with the Commonwealth.

Webcasts of the Oversight Board's public meetings and other information regarding the Oversight Board's activities are available on the Oversight Board's website: <http://www.juntasupervision.pr.gov/Oversightboard1/Pages/default.aspx>.

### **Title III Proceedings by the Commonwealth and Certain of Its Instrumentalities**

As you were previously notified, the Oversight Board authorized and commenced Title III proceedings (the "Title III Proceedings") on behalf of the Commonwealth (filed May 3, 2017), Puerto Rico Sales Tax Financing Corporation ("COFINA") (filed May 5, 2017), Puerto Rico Highways and Transportation Authority ("HTA") (filed May 21, 2017), Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (filed May 21, 2017) and Puerto Rico Electric Power Authority ("PREPA") (filed July 2, 2017). Each of the Commonwealth, COFINA, HTA, ERS and PREPA seeks through its Title III Proceeding to effect a court-ordered plan for the adjustment of its debt.

The Title III Proceedings are pending in the U.S. District Court for the District of Puerto Rico (the "U.S. District Court") and are being presided over by U.S. District Court Judge Laura Taylor Swain of the Southern District of New York, sitting by designation.

### **GDB Restructuring Support Agreement**

As you were previously notified, on May 15, 2017, GDB, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF")<sup>1</sup> and certain holders of the Notes entered into a Restructuring Support Agreement (the "RSA") pursuant to which the parties (the "RSA Parties") have agreed to undertake a financial restructuring of GDB (the "Proposed Restructuring") on the terms and conditions set forth in a Restructuring Term Sheet attached to the RSA (the "Term Sheet"). The parties to the RSA intend for the Proposed Restructuring to be effected through a Qualifying Modification pursuant to Title VI of PROMESA, which provides a mechanism for a territorial issuer and its creditors to effect a voluntary restructuring of the issuer's bond debt.

The Trustee refers holders to prior Trustee notices for additional information regarding the RSA, including the conditional certification of the RSA by the Oversight Board as a Qualifying Modification in July 2017, the enactment of the GDB Debt Restructuring Act to implement the Proposed Restructuring, and the First and Second Amendments to the RSA. (Capitalized terms used in this paragraph and not otherwise defined herein shall have the meaning ascribed to them in the respective notices.)

#### **Fourth Amendment to RSA**

As you were also previously notified, on March 27, 2018, AAFAF and GDB released a draft Fourth Amendment to the RSA (the "Fourth Amendment" and the RSA as amended by the First, Second, Third and Fourth Amendments thereto, the "Amended RSA") extending the

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<sup>1</sup> Pursuant to Act 2-2017, AAFAF has been given the sole responsibility to renegotiate, restructure and/or reach an agreement with creditors on all or part of the debt issued by any government instrumentality of the Commonwealth.

milestones for completing solicitation of the Qualifying Modification and for entry of an approval order by the U.S. District Court to June 8, 2018 and June 28, 2018, respectively, and attaching a revised Restructuring Term Sheet.

On April 9, 2017, AAFAF and GDB announced that the requisite number of holders of Participating Bond Claims (as defined in the RSA) had signed the Fourth Amendment and that the Fourth Amendment had become effective pursuant to its terms on April 6, 2018. A copy of the Fourth Amendment is available on the special website established by the Trustee's counsel described below.

*Certification of the Amended RSA as a Qualifying Modification*

As you were previously notified, on May 8, 2018, the Oversight Board certified the Amended RSA as a Voluntary Agreement pursuant to Section 104(i) of PROMESA and a Qualifying Modification pursuant to Section 602(g) of PROMESA, consented to the designation of Epiq Bankruptcy Solutions, LLC as Information Agent and Calculation Agent with respect to the solicitation of consents to the Qualifying Modification, and established two pools of bond claims for purposes of voting on the Qualifying Modification: one for claims guaranteed by the Commonwealth<sup>2</sup> and one for non-guaranteed claims.

*Proposed Technical Amendments to the GDB Restructuring Act*

On April 16, 2018, legislation was introduced in the Puerto Rico Legislative Assembly that would make technical amendments to the GDB Restructuring Act to implement the Amended RSA. The proposed legislation has passed the Puerto Rico House of Representatives and the Senate, but, as of the date of this notice, has not yet been signed by the Governor.

*AAFAF Status Report Regarding Contemplated Title VI Filing*

On June 4, 2018, AAFAF filed an informative motion (the "Informative Motion") in the jointly administered Title III Proceedings informing Judge Swain, *inter alia*, that the RSA Parties are in the process of negotiating a fifth amendment to the RSA, which would further extend the RSA milestone dates. As contemplated by the fifth amendment to the RSA, solicitation of acceptances to the Qualifying Modification would launch on July 5, 2018 and would be completed by August 6, 2018. The Informative Motion further indicates that AAFAF and GDB anticipate commencing a Title VI proceeding by filing an application for approval of the Qualifying Modification (the "Approval Application") in the U.S. District Court on or about July 6, 2018. AAFAF and GDB propose to set the deadline to object to the Qualifying Modification 28 days after the filing of the Approval Application and the hearing to approve the Qualifying Modification 45 days after the filing of the Approval Application. A copy of the Informative Motion is annexed to this notice and is posted to the website maintained by the Trustee's counsel.

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<sup>2</sup> Notes having CUSIP Nos. 745177FQ3, 745177FR1, and 745177FS9 are subject to a guarantee given by the Commonwealth.

At a hearing held on June 6, 2018 in the Title III Proceedings, AAFAF indicated that it would revise the proposed time line with respect to the Title VI proceeding in light of certain comments/suggestions made by Judge Swain at the hearing.

### **Status of Law Suit Involving Funds Held by GDB**

As you were previously notified, GDB was named as a defendant in a Title III adversary proceeding (styled *Siemens Transportation Partnership Puerto Rico, S.E. v. Puerto Rico Highways and Transportation Authority, et al.*, Adv. Pro. No. 18-00030-LTS) commenced by Siemens Transportation Partnership Puerto Rico, S.E. ("Siemens") on March 26, 2018, in which Siemens seeks, among other things, the release to it of \$13 million held in an account at GDB. GDB disputes that the \$13 million is subject to an enforceable escrow under Puerto Rico law such that GDB would be required to hold the funds segregated from GDB's overall liquidity. The other defendants in the adversary proceeding include the Oversight Board, AAFAF and HTA, which incurred the \$13 million debt in connection with the settlement of certain payment disputes relating to a construction project.

On May 29, 2018, GDB and the Oversight Board on its own behalf and as representative of HTA filed separate motions to dismiss the Siemens adversary complaint. AAFAF filed a joinder in GDB's motion to dismiss.

In a June 4, 2018 joint status report filed in the adversary proceeding, the parties set forth their respective positions with respect to, among other things, the substantive issues that must ultimately be decided by the court, whether the controversies between the parties should be addressed in the adversary proceeding as part of HTA's Title III Proceeding or in the context of GDB's contemplated Title VI proceeding, and what discovery, if any, is needed by the parties to present the issues to the court.

### **Regarding Proofs of Claim**

On May 29, 2018, on behalf of itself and the holders, the Trustee timely submitted a proof of claim against the Commonwealth on account of the Commonwealth's guaranty of the Series 2013 B-1 Senior Notes (CUSIP Nos. 745177FQ3, 745177FR1 and 745177FS9) (the "Senior Guaranteed Notes") in an amount of not less than \$110,000,000.00 representing the aggregate original issue amount of the Senior Guaranteed Notes plus an undetermined amount for interest owing with respect to the Senior Guaranteed Notes as of the commencement date of the Title III proceeding and an unliquidated claim for the Trustee's fees, costs and expenses payable under Section 607 of the Indenture. The Trustee's proof of claim against the Commonwealth also asserted a claim against the Commonwealth in an aggregate amount of not less than \$3,615,931,671.00, representing the aggregate original issue amount of Senior Notes that do not comprise the Senior Guaranteed Notes (the "Remaining Senior Notes") plus an undetermined amount for interest owing with respect to the Remaining Senior Notes in anticipation of any possible finding by a court of competent jurisdiction that the Commonwealth is, in fact, an obligor under the Remaining Senior Notes or any possible entry of an order by a court of competent jurisdiction effecting substantive consolidation of GDB with the

Commonwealth. Additionally, the Trustee submitted proofs of claim against the Commonwealth, COFINA, HTA, ERS and PREPA asserting claims for any amounts recoverable by holders of Senior Notes (whether asserted in a proof of claim filed by a holder of Senior Notes on or prior to the claims bar date in the Title III proceedings or not) on account of the transfer of assets of GDB by or to the Commonwealth, COFINA, HTA, ERS and PREPA, premised on several different legal theories, including, without limitation, illegal transfer under the GDB Enabling Act, fraudulent transfer and unconstitutional taking of private property.

Holders may view and/or download copies of the proofs of claim submitted against the Commonwealth, COFINA, HTA, ERS and PREPA through the special website established by the Trustee's counsel described below.

**Any distributions made on account of the proofs of claim will be made to holders of record. Accordingly, Noteholders who sell their claims will not be entitled to any recovery on the Notes.**

### **Direction to the Trustee**

The Indenture provides that the holders of a majority in principal amount of each series Notes currently outstanding have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all proceedings by the Trustee to be taken in connection with the enforcement of the Noteholders' or the Trustee's rights and remedies under the Indenture, provided such direction is in accordance with law and the provisions of the Indenture. The Noteholders' ability to direct the Trustee is further subject to the requirements of the Indenture (including, *inter alia*, Section 603 of the Indenture), which, among other things, state that the Trustee shall be under no obligation to institute any suit or to take any remedial action under the Indenture or any other documents relating to the Notes until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements and against all liability.

### **Trustee Reservation of Rights**

No delay or forbearance by the Trustee to exercise any right or remedy accruing upon the occurrence of a default, or otherwise under the terms of the Indenture or other documentation relating thereto or under applicable law, shall impair any such right or remedy or constitute a waiver thereof or acquiescence therein.

### **Website for Accessing Certain Publicly Available Information**

Certain publicly available information which may be of interest to Noteholders, as well as prior notices given to Noteholders by the Trustee, is available to Noteholders through a special link on the website of the Trustee's counsel. Noteholders wishing to access this information should go to the following web page: <http://www.drinkerbiddle.com/capabilities/services/bondholders/government-development-bank>.

### **Notice of Further Developments**

The Trustee will continue to provide information concerning this matter to the holders as it becomes available. In order to establish an orderly process for providing to you information concerning developments relating to the Notes and to receive input from you as such developments take place, we ask, if you have not already done so or your holdings of Notes have changed, that you please provide us with the information requested on the attached questionnaire and return the completed questionnaire to the Trustee at the address provided on the attached questionnaire.

### **Retention of Counsel**

The Trustee has retained the law firm of Drinker Biddle & Reath LLP and specifically, Kristin Going of that firm, to represent it in connection with the subject matter of this notice and the Notes generally. Ms. Going's address is Drinker Biddle & Reath LLP, 1177 Avenue of the Americas, 41st Floor, New York, New York 10036-2714 and her telephone number is 212-348-3273.

### **Communications with Trustee**

If you have any questions concerning this notice, inquiries may be directed to Jay Smith at Wilmington Trust, N.A. at (410) 545-2193 or [jhsmith@wilmingtontrust.com](mailto:jhsmith@wilmingtontrust.com), or to the Trustee's counsel: Kristin Going and Marita Erbeck at Drinker Biddle & Reath LLP at (212) 248-3273 (Going)/(973) 549-7076 (Erbeck) or [Kristin.Going@dbr.com](mailto:Kristin.Going@dbr.com)/[Marita.Erbeck@dbr.com](mailto:Marita.Erbeck@dbr.com). The Trustee may conclude, however, that a specific response to particular inquiries from individual holders is not consistent with equal and full dissemination of information to all holders. Holders should not rely upon the Trustee as their sole source of information. This notice is provided for informational purposes only. The Trustee gives no legal, financial or tax advice regarding the Notes or the matters described herein. Holders should consult their own professionals regarding the Notes and the events described above.

Wilmington Trust, N.A., as Successor  
Trustee

Dated: June 13, 2018

\* The Trustee makes no representation as to the accuracy of the CUSIP number provided and used herein.

**Appendix A**

<u>CUSIP Number</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Scheduled Debt Service Payment Dates for Which Payment Was Not Received</u>
745177CH6	2006B	5.00%	12/1/2016	12/1/2016
745177CJ2	2006B	5.00%	12/1/2017	12/1/2016, 6/1/2017, 12/1/2017
745177EN1	2010A	5.50%	8/1/2020	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177ET8	2010C	5.40%	8/1/2019	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FB6	2011H	4.15%	8/1/2017	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017
745177FC4	2011H	4.50%	8/1/2019	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FD2	2011H	4.90%	8/1/2021	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FE0	2011H	4.95%	8/1/2022	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018



745177FF7	2011H	5.00%	8/1/2023	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FH3	2011H	5.20%	8/1/2026	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FK6	2011I	4.35%	8/1/2018	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FQ3	2013B-1	8.00%	12/1/2017	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017
745177FRI	2013B-1	8.00%	12/1/2018	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177FS9	2013B-1	8.00%	12/1/2019	8/1/2016, 9/1/2016, 10/1/2016, 11/1/2016, 12/1/2016, 1/1/2017, 2/1/2017, 3/1/2017, 4/1/2017, 5/1/2017, 6/1/2017, 7/1/2017, 8/1/2017, 9/1/2017, 10/1/2017, 11/1/2017, 12/1/2017, 1/1/2018, 2/1/2018, 3/1/2018, 4/1/2018, 5/1/2018, 6/1/2018
745177EP6	2010B	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017, 11/1/2017, 2/1/2018, 5/1/2018
745177EUS	2010D	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017, 11/1/2017, 2/1/2018, 5/1/2018
745177EX9	2011B	4.70%	5/1/2016	5/1/2016
745177FM2	2012A	3.88%	2/1/2017	8/1/2016, 2/1/2017

745177FN0	2012A	4.38%	2/1/2019	8/1/2016, 2/1/2017, 8/1/2017, 2/1/2018
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**Government Development Bank for Puerto Rico Senior Notes  
(the "Notes")**

**NOTE HOLDER QUESTIONNAIRE**

Holder Legal Name(s) and Current Note Holdings. *Please provide full legal name(s) of each holder of Notes and list the amount(s) (expressed in dollars) of each holding. If more than one holder, please list each holding separately.*

<u>Name(s) of Holder(s) and DTC Participant #</u>	<u>Series of Notes Held</u>	<u>Amount(s) of Holding(s):</u>
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Contact Information of Individual(s) Representing Note Holder(s). *Please provide a current mailing address, telephone number, and email address for the individual(s) who may be contacted by the Trustee or its counsel concerning the bankruptcy proceedings relating to the Notes and who are authorized to represent the Holder. If you wish to provide information for more than one individual, please identify which individuals will serve as primary and secondary contacts for which holdings. If you have holdings under more than one legal name, and it is necessary for us to contact separate individuals for each holding, please indicate this in your response.*

Note Holder Representative(s):

Contact Information:

Please Return to:

Wilmington Trust, National Association  
Attn: Jay Smith IV – Government Development Bank for Puerto Rico  
Senior Notes due May 1, 2016  
25 South Charles Street-11<sup>th</sup> Floor  
Mail Code: MD2-CS58  
Baltimore, MD 21201  
[JHSmith@wilmingtontrust.com](mailto:JHSmith@wilmingtontrust.com)

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et*  
*al.*,

Debtors.<sup>1</sup>

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**INFORMATIVE MOTION REGARDING THE TITLE VI FILING CONTEMPLATED  
BY THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

To the Honorable Laura Taylor Swain  
United States District Judge:

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), through its undersigned counsel, hereby states and prays as follows:

1. On May 15, 2017, AAFAF, the Government Development Bank for Puerto Rico ("GDB") and a substantial portion of its creditors executed a Restructuring Support Agreement ("RSA" and the parties thereto, the "RSA Parties"), which *inter alia* contemplates the filing of an application for approval of a Qualifying Modification under Title VI of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA").

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

2. Under the RSA, those creditors agreed to support the proposed modification of GDB's debt, and GDB agreed to meet certain milestones in obtaining certification from the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") and creditor and court approval in accordance with Title VI. The Oversight Board originally certified the modification contemplated by the RSA on July 12, 2017, thus making it a "Qualifying Modification" under Title VI.

3. Given the disruptions and devastation caused by hurricanes Irma and María, AAFAF, GDB, and the creditors supporting the RSA concluded that the terms of the proposed modification and the existing deadlines for the remaining milestones in the RSA were no longer feasible. As a result, the RSA Parties entered into four amendments to the RSA. The primary purpose of the first three amendments was to extend the milestone dates under the RSA to allow the parties time to work through the implications of the hurricanes. The fourth amendment to the RSA, entered into on April 6, 2018, resulted in (i) the adoption of a revised term sheet setting forth the terms of the Qualifying Modification, and (ii) a further extension of the RSA deadlines (the "Amended RSA").

4. The Amended RSA makes several important changes as it relates to the treatment of Puerto Rico's 78 municipalities. Since hurricanes Irma and María hit Puerto Rico, the RSA Parties have worked collaboratively to find ways to provide relief to those municipalities as they recover from the storms. As a result of those efforts, the Amended RSA provides that, upon consummation of the Qualifying Modification, the full amount of each municipality's deposits held at GDB will be automatically applied against the balance of any loans owed by such municipality to GDB. In addition, the Amended RSA gives municipalities the opportunity to receive payment, before consummation of the Qualifying Modification, of 55% of such

municipality's undisbursed certified Excess CAE invested in deposit accounts at GDB in exchange for a release of claims related thereto. The Amended RSA also results in a simplified structure whereby GDB's financial creditors will exchange their claims for only one tranche of new bonds. On May 8, 2018, the Oversight Board recertified the Amended RSA as a Qualifying Modification.

5. Under the Amended RSA, the deadline to complete solicitation of the Qualifying Modification is June 8, 2018. The RSA Parties are in the process of negotiating a fifth amendment to extend this deadline, along with the other milestone dates. A summary of the extended dates proposed by AAFAF and GDB is as follows:

<b>Event</b>	<b>Date</b>
Deliver Substantially Complete Drafts of Solicitation Documents to the Oversight Board	June 22, 2018
Launch Solicitation	July 5, 2018
Commence Title VI proceeding in District Court	July 6, 2018
Complete Solicitation	August 6, 2018

6. After solicitation of the Qualifying Modification is launched, AAFAF and GDB anticipate commencing the Title VI proceeding, pursuant to Rule 3.1 of the Local Rules of the District of Puerto Rico, by filing an application for approval of the Qualifying Modification (the "Approval Application"). In addition, after completion of the solicitation, the Oversight Board must certify that the voting requirements and other requirements of PROMESA Section 601(m)(B) have been satisfied.

7. Under Title VI, the Court's review of the Approval Application is limited to determining whether "the requirements of [PROMESA Section 601] have been satisfied." 48 U.S.C. § 2231(m)(1)(d). Accordingly, the Court will be asked to determine only whether GDB and AAFAF properly submitted the Qualifying Modification to the Oversight Board for certification, *id.* § 2231(f), (g), and complied with Title VI's requirements for (i) vote pooling and claim classification (including classification as an unsecured claim as opposed to a property right),

*id.* § 2231(d); (ii) vote solicitation, *id.* § 2231(h); and (iii) vote tabulation, *id.* §2231(b), (j). Because a debt restructuring under Title VI is a *voluntary* process that must be approved by the holders of “at least two-thirds of the Outstanding Principal amount of the Outstanding Bonds in each Pool that have voted,” (provided that such holders represent “not less than a majority of the aggregate Outstanding Principal amount of all the Outstanding Bonds in each Pool”) *id.* § 2231(j), the Court need not assess the overall fairness of the Qualifying Modification to GDB’s creditors. It is sufficient that they have the opportunity to cast an informed vote and that the votes are pooled and tabulated in accordance with Title VI.

8. The Approval Application will seek to establish clear procedures related to the approval of the Qualifying Modification, including the timeline for parties to object to the vote pooling, solicitation, and tabulation procedures, thus ensuring that all parties with a stake in GDB’s restructuring have an opportunity to be heard in connection with the Title VI.

9. Specifically, as set forth in the table below, GDB and AAFAF intend to propose the following procedures related to Court approval of the Qualifying Modification:

<b>Proposed Timetable</b>	
Filing of Approval Application	T
Deadline to Object to Approval Procedures	T+ 7 days
Deadline to Object to the Qualifying Modification	T+ 28 days
Reply Deadline	T+ 42 days
Qualifying Modification Approval Hearing	T+ 45 days (or as soon thereafter as the Court is available)

10. GDB and AAFAF propose to provide all of GDB’s creditors with notice of the filing of the Approval Application, and related objection deadlines. Setting the deadline to object to the Qualifying Modification 28 days following the service of the Approval Application will provide parties in interest with sufficient time to consider whether to interpose any objections to the vote

pooling, solicitation, and tabulation procedures, while providing the Court, GDB, AAFAF, and all parties in interest with sufficient time to consider any such objections before the Approval hearing.

*[Signature Block on Next Page]*



Dated: June 4, 2018  
San Juan, Puerto Rico

Respectfully submitted,

/s/ Suzanne S. Uhland

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