



Financial Oversight and Management Board for Puerto Rico

PRESS RELEASE

For Immediate Release

OVERSIGHT BOARD AUTHORIZES GOVERNMENT DEVELOPMENT BANK TO RESTRUCTURE DEBTS UNDER TITLE VI OF PROMESA

Conditionally certifies GDB's Restructuring Support Agreement; participating creditors will be able to exchange existing claims against GDB for new bonds; on-island and off-island creditors to be treated equally

(San Juan, PR – July 14, 2017) – The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) created by Congress under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA” or the “Act”) today authorized the Government Development Bank for Puerto Rico (“GDB”) to pursue the restructuring of its debts under Title VI of PROMESA and conditionally certified GDB's Restructuring Support Agreement (“RSA”) under the relevant provisions of Title VI.

The Oversight Board's decision was in response to a Fiscal Agency and Financial Advisory Authority (“FAFAA”) request, dated June 30, 2017, in which the agency noted that the proposed restructuring, along with certain related settlements contemplated by the RSA, will result in an efficient wind down of GDB's operations and a comprehensive financial restructuring of GDB's obligations. FAFAA noted further that by proceeding under Title VI of PROMESA with the requisite creditor support, GDB believes that it will realize its objective of maximizing value for its stakeholders, while avoiding the delay, expense and uncertainty associated with litigation.

The RSA provides for the organized and consensual restructuring of a substantial portion of GDB's liabilities, including GDB public bonds, deposit claims by municipalities and certain non-public entities and claims under certain GDB-issued letters of credit and

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guarantees (“Participating Bond Claims”). In exchange for releasing GDB from liability relating to these claims, the claim-holders will receive new bonds to be issued by a new entity (the “Issuer”).

In order to secure and service the new bonds, GDB will transfer to the Issuer its entire municipal loan portfolio, certain real estate assets available for sale, proceeds of certain public entity loans and a certain amount of cash.

The new bonds will consist of three tranches (or series), A, B or C, each with different terms—including different coupon rates and upfront exchange ratios—from which the claimants can choose. In general, the higher the exchange ratio between the value of the current claim and the value of the new bonds, the lower the coupon rate.

	Tranche A	Tranche B	Tranche C
Amortization + Collateral Priority	First	First	Second
Upfront Exchange Ratio	55%	60%	75%
Coupon (%)	7.50%	5.50%	3.50%
Maturity	1-Jul-40	1-Jul-40	1-Jul-40

Tranches A and B will be secured by a first lien on the assets to be transferred from GDB to the Issuer with respect to principal payments and will be entitled to amortizing principal payments from available cash on an equal basis. Tranche C will be secured by a second lien on the assets with respect to principal payments and, unless an event of default occurs, will not be entitled to any principal payments until Tranches A and B bonds are paid in full. Interest will be paid semi-annually on an equal basis on all three tranches to the extent of available cash from collections. Interest will be paid “in kind” if cash on the related semi-annual payment date is insufficient.

The RSA already has the support of 51% of the Participating Bond Claims. According to FAFAA, as of June 21, 394 individual parties, holding more than \$2.45 billion in claims against GDB, have signed the RSA, the vast majority of which constitute on-island creditors. Indeed, more than 300 on-island bondholders and an additional 50 on-island credit unions have entered into the RSA. The RSA is also supported by the Ad Hoc Group of GDB bondholders, which holds more than \$1 billion of GDB public bonds.

Under the RSA, Puerto Rico Municipality Depositors and on-island GDB bondholders are treated equally with off-island GDB bondholders, all as general unsecured creditors.

Puerto Rico residents and Puerto Rico institutions who are GDB creditors comprise 56% of GDB's creditors.

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