



# GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial  
Advisory Authority

## Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA)

### Additional / Voluntary Event-Based Disclosure

**THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:**

Issuer's Name: Government Development Bank for Puerto Rico (GDB)

Other Obligated Person's Name (if any): \_\_\_\_\_

Nine-digit CUSIP number(s): 745177

#### TYPE OF INFORMATION PROVIDED:

- A.  Amendment to Continuing Disclosure Undertaking
- B.  Change in Obligated Person
- C.  Notice to Investor Pursuant to Bond Documents
- D.  Communication from the Internal Revenue Service
- E.  Bid for Auction Rate and Other Securities
- F.  Capital or Other Financing Plan
- G.  Litigation / Enforcement Action
- H.  Change of Tender Agent. Remarketing Agent or Other On-going Party
- I.  Derivative or Other Similar Transaction
- J.  Other Event-Based Disclosures: Second Supplement to the Solicitation Statement dated October 10, 2018

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Sebastián M. Torres Rodríguez

Sebastián M. Torres Rodríguez  
Puerto Rico Fiscal Agency and Financial Advisory Authority,  
as Fiscal Agent for the Commonwealth

Dated: October 10, 2018



**SECOND SUPPLEMENT DATED OCTOBER 10, 2018,  
TO SOLICITATION STATEMENT DATED AUGUST 9, 2018,  
AS SUPPLEMENTED ON SEPTEMBER 10, 2018**

Relating to



**SOLICITATION OF QUALIFYING MODIFICATION IN RESPECT OF**

**SENIOR NOTES, 2006 SERIES B,  
SENIOR NOTES, 2010 SERIES A,  
SENIOR NOTES, 2010 SERIES B,  
SENIOR NOTES, 2010 SERIES C,  
SENIOR NOTES, 2010 SERIES D,  
SENIOR NOTES, 2011 SERIES B,  
SENIOR NOTES, 2011 SERIES H,  
SENIOR NOTES, 2011 SERIES I,  
SENIOR NOTES, 2012 SERIES A,  
SENIOR NOTES, 2016 SERIES A, AND  
THE OTHER GDB BOND CLAIMS (AS DEFINED HEREIN) AND  
SENIOR GUARANTEED NOTES (2013) SERIES B-1,**

**IN EACH CASE, OF**

**BANCO GUBERNAMENTAL DE FOMENTO PARA PUERTO RICO (THE GOVERNMENT  
DEVELOPMENT BANK FOR PUERTO RICO, HEREIN “GDB”)**

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. The following disclosure supplements and modifies prior disclosure in the Solicitation Statement. To the extent inconsistent with such prior disclosure, this disclosure supersedes such prior disclosure.

**Settlement of Litigation with Official Committee of Unsecured Creditors of all Title III Debtors (other than COFINA)**

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”) previously filed (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 (collectively, the “Committee Litigation”). For additional information on the Committee Litigation, see “*Objections to the Qualifying Modification*” in the Supplement dated September 10, 2018 to the Solicitation Statement (the “First Supplement”).

On October 5, 2018, GDB, AAFAF, the Oversight Board and the Committee entered into a stipulation (the “Stipulation”), which was filed on the docket in the Title VI case, resolving the Committee Litigation. The District Court entered an order on the Stipulation on October 9, 2018 (as so ordered, the “Committee Settlement Stipulation”). The following 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.

### ***Overview 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 or such other representative capacity to certain Title III Debtors (to the extent any such claims exist) and other governmental entities are the property of the applicable Title III Debtors and other governmental entities.

For additional information on the Committee Settlement Stipulation, see "*Additional Information Regarding the Committee Settlement Stipulation*" below.

### ***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 Settlement Cash (as defined below) represents 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 approximately \$488 million (the amount of cash held by GDB, net of the estimated Cash Adjustments, as of the Cutoff Date) notwithstanding the payment of the Fixed Settlement Cash. 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.

### ***Additional Information Regarding the Committee Settlement Stipulation***

Subject to the conditions contained therein, the Committee Settlement Stipulation provides that:

#### **Committee Releases**

- The Committee shall withdraw, with prejudice, and shall not refile or otherwise assert or pursue, directly or indirectly, (i) any and all claims, objections, filings, requests for relief, or discovery requests in connection with, arising out of, or relating to the GDB Restructuring Act, the Qualifying Modification and the GDB restructuring; (ii) any and all claims, objections, filings, motions, and requests for relief in the Title III cases (Case Nos. 17-3283, 17-3566, 17-9686, 17-4780, Adv. Proc. No. 18-0101) pertaining to the GDB Restructuring Act, the Qualifying Modification or the GDB restructuring, including any appeals related thereto; and (iii) any and all claims, objections, filings, motions, requests for relief, and discovery requests in the GDB Title VI case (Case No. 18-01561).

- The Committee shall not commence, join, seek any relief with respect to, or otherwise participate in, including as *amicus curiae*, any future proceedings (including, but not limited to, any appellate proceedings) in or in connection with the GDB Title VI case or otherwise relating to the GDB Restructuring Act, the Qualifying Modification or the GDB restructuring, other than to give effect to and enforce the terms of the Committee Settlement Stipulation.
- The Committee shall release, and will not bring, assert, pursue, or otherwise advance, directly or indirectly, on its own behalf or derivatively, any claims, objections, avoidances, rights, rights of recovery, remedies or causes of action against GDB, GDB’s current officers or directors, the GDB Debt Recovery Authority, the GDB Debt Recovery Authority’s directors and officers, or the assets transferred to the GDB Debt Recovery Authority, or seek to require GDB to assert any cause of action; *provided, however*, that any rights that the Committee may have to object to GDB’s claim against the Commonwealth, and any rights of other parties to oppose such objection, are preserved.
- The Committee shall modify its pending Rule 2004 discovery requests in the Title III case so that such requests (and any future Rule 2004 requests, or any other discovery requests related to the GDB restructuring) (“Discovery”) are limited to matters unrelated to the GDB restructuring. Additionally, the Committee shall not seek Discovery in connection with any cause of action that will be released by the Qualifying Modification and the GDB Restructuring Act (as in effect on the date hereof, but reflecting the modifications set forth in the *Informative Motion Regarding Releases Under Article 702 of the GDB Restructuring Act* [Docket No. 151 in Case No. 18-1561 (LTS)]).

#### GDB Cash Payments

- On the Closing Date, GDB shall transfer \$20.0 million dollars in cash to the Public Entity Trust (the “Fixed Settlement Cash”).
- On a date after the Closing Date after which GDB has satisfied all of its obligations in anticipation of winding-down as more fully described under “*Summary of Terms of New Bonds—Excluded GDB Assets*” in the Preliminary Offering Memorandum, GDB will be required to transfer to the Public Entity Trust any remaining cash after satisfaction of such obligations pursuant to the Cash Adjustment for which such cash was retained (such excess, if any, “Excess Adjustment Cash”), in an aggregate amount up to \$10.0 million. Any Excess Adjustment Cash above the \$10 million amount required to be paid to the Public Entity Trust will be paid to the Issuer.

#### Public Entity Trust Adjustments

- On account of the restructuring of certain federal funds by the Commonwealth, certain adjustments will be made both to the amount of the claim against the Commonwealth that is an asset of the Public Entity Trust and the priority of payments within the Public Entity Trust.
- On a date after the Closing Date, GDB shall transfer to the Public Entity Trust the first cash or cash equivalents that constitute net proceeds of Causes of Action, if any, in respect of Causes of Action (to the extent any such Causes of Action exist), and after, in GDB’s sole determination, all contingent and unliquidated claims against GDB arising on or before the Closing Date have been satisfied, until the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico (“ERS”) and the Puerto Rico Electric Power Authority (“PREPA”) obtain net proceeds totaling 55 cents on the dollar of the Title III Debtor Designated Deposits. Thereafter, any such proceeds will be transferred to the Issuer.
- For the avoidance of doubt (i) GDB shall continue to have the sole authority and absolute discretion to commence, prosecute, settle, offset against claims against GDB, or release any such Causes of Action and (ii) the Committee shall not have the right to, and shall not have or seek standing to, directly, indirectly or derivatively, commence, direct, compel the prosecution of, settle, resolve, sell, transfer or dispose of any such Cause of Action or any litigation, other enforcement action or resolution thereof.

- The Designated Deposits of ERS and PREPA will be allowed claims against the Public Entity Trust, senior to all other Designated Deposits in respect of the cash provided under the Committee Settlement Stipulation, and shall not be subject to additional setoff or reduction, including in respect of any causes of action for preferential transfers, which will be deemed settled. Thus, certain claims GDB might have against ERS and PREPA (including for preference exposure) are being settled under the Stipulation.

#### Acknowledgment with Respect to Certain Legal Claims

- GDB shall acknowledge and affirm that certain legal claims with respect to GDB’s prior role as fiscal agent and financial advisor or such other representative capacity to certain Title III Debtors and other governmental entities (to the extent any such claims exist) and for which the intended or actual primary economic beneficiary of the transaction or series of transactions giving rise to the cause of action was a Title III Debtor (or the entity that became a Title III Debtor) or a government entity (other than GDB) are the property of the applicable Title III Debtors and other governmental entities.

#### **Settlement Agreement with the Municipality of San Juan**

On September 19, 2018, GDB and the Municipality of San Juan (“San Juan”) entered into a settlement agreement to resolve San Juan’s claims against GDB and San Juan’s pending objections to the Qualifying Modification. The settlement agreement between San Juan and GDB includes the following material terms:

- In accordance with the GDB Restructuring Act, upon execution of the settlement agreement (i) GDB will disburse to San Juan 55% of its Excess CAE, totaling \$3,589,624.00, (the “CAE Payment”); and (ii) San Juan shall accept the CAE Payment as full, final and complete settlement, accord and satisfaction of the full amount of its Excess CAE and San Juan’s remaining portion of undisbursed Excess CAE will be discharged.
- In consideration for the CAE Payment, San Juan will release GDB from certain claims and will agree not to challenge or otherwise take any action that is inconsistent with, or that would reasonably be expected to prevent, interfere with, delay or impede the consummation of, the Qualifying Modification.
- In connection with the settlement, the Servicer and Collateral Monitor entered into certain agreements regarding the management of Municipal Loan assets on the terms described in the First Supplement and San Juan dismissed its litigation against GDB.

#### **Forward-Looking Statements**

This disclosure 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 disclosure 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.