



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: Supplement to the Solicitation Statement dated August 9, 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: September 10, 2018



**SUPPLEMENT DATED SEPTEMBER 10, 2018
TO SOLICITATION STATEMENT DATED AUGUST 9, 2018 (THE “SOLICITATION STATEMENT”)**

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”)**

Eligible Voters (as defined in the Solicitation Statement) are advised that 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.

Objections to the Qualifying Modification

The section entitled “*Pending and Threatened Litigation That May Impact The Qualifying Modification—Litigation Challenging the Solicitation and the Qualifying Modification*” in the Offering Memorandum attached to the Solicitation Statement as Exhibit E thereto is hereby amended, to include the following as new sub-headings under such section:

Title VI Proceeding

Various parties alleging they hold claims against GDB have filed notices of intent to object to the Qualifying Modification and/or reserving rights to object to the treatment of their claims thereunder. GDB has contested the standing of one of such parties, 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”), to object to the Qualifying Modification and has requested the entry of an order by the District Court declaring that the Committee lacks such standing. See “*Official Committee of Unsecured Creditors Litigation*,” below, for additional information regarding the claims that have been made by the Committee. The District Court has set forth a schedule for considering the approval of the Qualifying Modification, which includes deadlines for submitting objections to the Qualifying Modification and carrying out discovery.

Official Committee of Unsecured Creditors Litigation

Overview. As of the date hereof, the Committee has filed a lawsuit and two motions in the Title III cases challenging the Qualifying Modification and the GDB Restructuring Act. GDB believes it has meritorious

defenses to the claims asserted in the lawsuit and the motions, and intends to vigorously defend itself and the GDB Restructuring Act and Qualifying Modification. An adverse decision or ruling in the pending case could delay the consummation of the Qualifying Modification and, if GDB and its creditors were nevertheless to pursue a financial restructuring pursuant to Title VI of PROMESA, it may require amending the Qualifying Modification to provide for alternative treatment of claims and interests, which may result in holders of Participating Bond Claims receiving less for their claims and interests than is contemplated as of the date hereof. If any modifications to the Qualifying Modification are material, it may be necessary to re-open the solicitation of votes from holders of Participating Bond Claims. It is currently expected that upon the approval of the District Court, if obtained, GDB and the Issuer would consummate the Qualifying Modification unless prohibited by the District Court or another governmental authority of competent jurisdiction.

Moreover, an adverse judicial determination regarding the Qualifying Modification or the GDB Restructuring Act (or certain of its provisions) after the consummation of the Qualifying Modification (for instance, if the pending challenges to the Qualifying Modification or the GDB Restructuring Act are not resolved by the District Court in the Title III cases prior to the consummation of the Qualifying Modification or if the District Court order is appealed or additional challenges to the Qualifying Modification or the GDB Restructuring Act are brought by the Committee or other parties after the consummation of the Qualifying Modification) could, among other things, affect the market value of the New Bonds or the validity or enforceability of the Transaction Documents, including the New Bonds, and the New Bonds' source of repayment. Defending such litigation could also involve substantial fees and expenses, and the costs of such defense would be paid out of Collections before the determination of Available Cash for payment on the New Bonds.

The Official Committee of Unsecured Creditors of the Debtors (other than COFINA) v. The Commonwealth of Puerto Rico, et al. (Case No. 18-101). On September 6, 2018, the Committee filed this complaint for declaratory judgment and injunctive relief in the District Court against the Commonwealth, AAFAF, GDB, and the Oversight Board. The Committee seeks declaratory relief stating that the GDB Restructuring Act is invalid and unenforceable. The complaint alleges, among other things, that the GDB Restructuring Act (i) amounts to a *de facto* bankruptcy law that is inconsistent with Title III of PROMESA; (ii) is preempted by PROMESA insofar as it purports to release rights and claims of the Title III Debtors unrelated to any bond affected by the Qualifying Modification; and (iii) is inconsistent with the automatic stay. At the procedures hearing on September 7, 2018, the District Court ordered the parties to set forth a schedule that integrates this adversary proceeding into the Title VI Qualifying Modification schedule.

Urgent Motion Of Official Committee Of Unsecured Creditors, Pursuant To Bankruptcy Code Sections 105(a) And 362, For Entry Of Order Enforcing Automatic Stay And Court's June 29, 2017 Order Confirming Application Of Automatic Stay With Respect To GDB Restructuring (Case No. 17-3283, ECF No. 3797). On August 22, 2018, the Committee filed an urgent motion in the Commonwealth's Title III case stating that the Qualifying Modification and the GDB Restructuring Act violate the automatic stay. The Committee seeks an order stating that (i) the GDB restructuring violates the automatic stay under section 362 of the Bankruptcy Code and the District Court's June 29, 2017 stay order; (ii) any limitations on claims that have been or may be asserted by the Title III Debtors against GDB or related third-parties are void; and (iii) any transfer or "shielding" of assets pursuant to the GDB restructuring that could have been used, prior to the implementation of the GDB restructuring, to satisfy claims of the Title III Debtors by GDB, is void. On August 29, 2018, Financial Guaranty Insurance Company filed a response in support of the Committee's motion, and GDB and AAFAF filed an objection to the Committee's motion. On August 31, 2018, the Oversight Board also objected to the motion. On September 7, 2018, the Committee filed an omnibus reply in support of its motion. The court is set to hear argument at the omnibus hearing on September 13, 2018 in San Juan.

Official Committee Of Unsecured Creditors' Motion For Order Granting Derivative Standing To Act On Behalf Of Title III Debtors For Certain Limited Purposes And Other Related Relief With Respect To Restructuring Of Government Development Bank For Puerto Rico (Case No. 17-3283, ECF No. 3881). On September 6, 2018, the Committee filed a motion asking the District Court to grant the Committee derivative standing to act on behalf of the Title III Debtors in connection with the GDB restructuring. The Committee seeks derivative standing because it alleges that AAFAF and the Oversight Board are conflicted and are engaged in self-dealing and that the interdebtor claims require independent representation. In addition, the Committee states that the District Court should confirm the Committee's ability to appear in the Title VI case to assert its direct standing. At the procedures hearing on September

7, 2018, the District Court ordered the parties to set forth a schedule that integrates the briefing of this motion into the Title VI Qualifying Modification schedule.

The sub-heading entitled “*Pending and Threatened Litigation That May Impact The Qualifying Modification—Litigation Challenging the Solicitation and the Qualifying Modification—Threatened Litigation*” in the Offering Memorandum attached to the Solicitation Statement as Exhibit E thereto is hereby amended to eliminate the last sentence of such sub-heading.

Potential entry into Settlement Agreement with the Municipality of San Juan

The section entitled “*Pending and Threatened Litigation That May Impact The Qualifying Modification—Litigation Challenging the Solicitation and the Qualifying Modification—Municipality of San Juan v. Government Development Bank et al.*” in the Offering Memorandum attached to the Solicitation Statement as Exhibit E thereto is hereby amended to include the following as additional paragraphs at the end of such section:

GDB, AAFAF, and the Municipality of San Juan (“San Juan”) are in advanced discussions regarding a settlement agreement to resolve San Juan’s claims against GDB and San Juan’s pending objections to the Qualifying Modification, including the claims and objections described above.

If consummated, the settlement agreement between San Juan, GDB, and AAFAF is expected to include the following material terms. However, Eligible Voters are advised that no assurance can be given that the parties will be able to conclude a definitive settlement agreement on these same terms or at all.

- In accordance with the GDB Restructuring Act, upon execution of the settlement agreement (i) GDB will disburse to San Juan 55% of its 2015-2017 Excess CAE (i.e., undisbursed cash deposits at GDB on account of proceeds of the special additional tax that GDB certified as surplus from the GO Redemption Fund prior to January 1, 2017); and (ii) San Juan will release GDB and the Issuer 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. As a result of this release, San Juan’s remaining portion of undisbursed Excess CAE will be discharged, and San Juan will have no further rights or claims thereto, and GDB will have no further liability or obligation to San Juan in respect of Excess CAE.
- Each of AmeriNat and Cantor-Katz, in its capacity as the Servicer and the Collateral Monitor, respectively, for the New Bonds, will agree on its behalf and on behalf of any successor and/or assigns that may serve as Servicer or Collateral Monitor that, upon closing of the Qualifying Modification, a certain Municipal General Obligation Loan owed by San Juan to GDB (the “Designated Loan”), with a principal amount outstanding of approximately \$65 million as of July 1, 2018, shall be reamortized to provide additional cash flow relief to San Juan (The Designated Loan is one of the six Municipal General Obligations of San Juan that are part of the Restructuring Property). See “*Description of the Restructuring Property—Detailed Description of the Restructuring Property—Municipal General Obligations.*” This agreement by AmeriNat and Cantor-Katz is conditioned upon (i) the consummation of the Qualifying Modification, (ii) the execution of the Servicing Agreement by the Issuer and AmeriNat, and (iii) the execution of the Collateral Monitor Fee Letter by the Issuer and Cantor-Katz.
- San Juan will dismiss all lawsuits pending against GDB.

If the San Juan settlement is consummated, AmeriNat and Cantor-Katz will further agree that at the time of the closing of the Qualifying Modification, they will agree, based on the financial condition of the applicable municipality, to consent to any reasonable request by a municipality for a modification to the amortization schedule of one or more of the Municipal Loan Assets owed to the Issuer by such municipality, based on the specific facts and circumstances of such municipality, *provided* that such modification (i) extends by no more than two years the final maturity date for such Municipal Loan Asset (as set forth in “*Appendix B: The Transferred Property*” in this Offering Memorandum), (ii) does not affect the aggregate principal amount outstanding or the interest rate with respect to such Municipal Loan Asset, (iii) does not affect the scheduled interest payment dates (except to the extent additional scheduled interest payment dates are added in connection with the extension of the maturity date) with respect to such

Municipal Loan Asset, (iv) the net present value of such Municipal Loan Asset to the Issuer remains approximately unchanged or increases, (v) is consistent with the servicing and/or monitoring standards, rights, duties and obligations set forth in the Servicing Agreement, the Collateral Monitor Agreement, the other Transaction Documents, the Solicitation Statement and the GDB Restructuring Act, as applicable, and (vi) is supported by reasonable documentation demonstrating that such municipality will reasonably be able to make all payments on the applicable Municipal Loan Asset(s) as so modified. AmeriNat and Cantor-Katz will agree to consider in good faith each request for amortization relief by a municipality to determine whether such request satisfies the foregoing conditions. This agreement would not preclude any other Loan restructuring or modification that may be agreed upon in the future by an obligor on the Restructuring Property, the Servicer and the Collateral Monitor or otherwise prohibit any obligor from seeking to refinance an existing Loan. While the settlement agreement with San Juan is not expected to have a negative effect on Collections, it may affect the timing of the receipt of such Collections. Moreover, to the extent one or more other municipalities request and are granted a modification of their respective amortization schedules, it is possible such modification could further affect the timing of receipt of cash flows, which then, in turn, could negatively affect the cash payments of principal and interest on the New Bonds.

The sections entitled “*Summary of Terms of New Bonds—Management of the Restructuring Property*” and “*The Restructuring Property—Management of the Restructuring Property*” in the Offering Memorandum attached to the Solicitation Statement as Exhibit E thereto are hereby amended to include the following as an additional paragraph at the end of each of such sections:

GDB, AAFAF and San Juan are in advanced discussions regarding a settlement agreement to resolve San Juan’s claims against GDB and San Juan’s pending objections to the Qualifying Modification. As part of such settlement, the Servicer and the Collateral Monitor are expected enter into certain agreements regarding the management of the Municipal Loan Assets, as described under “*Pending and Threatened Litigation That May Impact The Qualifying Modification—Litigation Challenging the Solicitation and the Qualifying Modification—Municipality of San Juan v. Government Development Bank et al.*”