



Government Development Bank for Puerto Rico Transition Materials

October 2024

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GOVERNMENT OF PUERTO RICO
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

Background

Background | GDB Qualifying Modification

To date, ~74% of the assets (loans, bonds and real estate) that were transferred to the DRA upon effectiveness of the GDB Qualifying Modification have been resolved, resulting in a reduction in the outstanding amount of DRA bonds of 50%, from \$2.6 billion to \$1.2 billion.

Background

- GDB's operational wind-down was completed on March 23, 2018, with all fundamental operations having ceased or transferred to other entities (i.e. AAFAF, EDB, etc.).
- GDB continues to exist to resolve certain loans of public entities that were retained by GDB for which GDB has a contractual duty to the GDB Debt Recovery Authority (the "DRA") to use commercially reasonable efforts to maximize proceeds and transfer such proceeds, if any, to the DRA ("GDB Retained Loans").
- On November 6, 2018, the US District Court approved the GDB Qualifying Modification under Title VI of PROMESA ("GDB Qualifying Modification").
- On November 29, 2018, the GDB Qualifying Modification became effective, marking the first successful use of the collective action procedures under Title VI of PROMESA and the first Puerto Rico debt restructuring transaction completed under PROMESA.
- The GDB Qualifying Modification reduced GDB's legacy obligations by 45% in exchange for bonds issued by the DRA.
- The DRA issued \$2,597,754,625 of 7.500% GDB Debt Recovery Authority Bonds due 2040 ("DRA Bonds") to holders of participating bond claims, with each holder receiving \$550 of DRA Bonds for each \$1,000 of participating bond claims.
- Holders of the DRA Bonds get paid only if the assets transferred to the DRA (the "DRA Assets") generate sufficient money to do so.
- The Government is not liable if the DRA cannot pay the DRA Bonds.



Background | GDB Qualifying Modification (continued)

To date, ~74% of the assets (loans, bonds and real estate) that were transferred to the DRA upon effectiveness of the GDB Qualifying Modification have been resolved, resulting in a reduction in the outstanding amount of DRA bonds of 50%, from \$2.6 billion to \$1.2 billion.

- As of January 1, 2021, the DRA had \$2.1 billion in outstanding bonds which has been reduced by 44% to \$1.2 billion as of August 20, 2024.
- The potential repayment sources of the remaining assets held by the DRA consist of recoveries and/or collections from (i) non-performing loans from public entities (ASEM, ASES, Comprehensive Cancer Center, etc), (ii) a substantially performing portfolio of municipal loans, and (iii) CVIs received as part of the Commonwealth and HTA Plans of Adjustment.
 - These assets have different levels of security (from contingent value instruments to unsecured and fully secured loans).
- The DRA's rights to pursue recoveries or settlements under the underlying loan documents are limited to certain restrictions negotiated in the GDB Qualifying Modification (the "Asset Restrictions", see page 20) that were designed to allow the Government to focus on restructuring and reorganization efforts of all relevant public entities and public corporations without DRA interference.
- Additional payments of the outstanding balance of the DRA Bonds are expected to come from:
 - I. Debt service payments, sale or refinancing of the municipal loan portfolio;
 - II. Sale of DRA-held CVIs, and
 - III. Recoveries, if any, from the remaining loans (including GDB Retained Loans).



Background | Key Parties to the GDB Qualifying Modification

Key Parties

Professional	Role
O'Melveny & Myers LLP	Legal counsel for Title III and non-Title III matters
Pietrantonio Mendez & Alvarez LLC	Local Puerto Rico legal counsel for non-Title III matters
Ankura Consulting Group LLC	Financial Advisor to AAFAF and GDB on debt restructuring, operational matters, development and implementation of Fiscal Plans and budgets

Summary of Advisors to the DRA

Professional	Role
King & Spalding	Counsel to DRA Board of Trustees
Cancio Covas & Santiago	Local counsel to DRA Board of Trustees
Amerinat	Servicer of DRA Asset portfolio
McConnell Valdes, LLC	Counsel to Amerinat
Cantor Katz Collateral Monitor, LLC	Collateral Monitor – engaged by Indenture Trustee
Davis Polk & Wardwell	Counsel to Collateral Monitor
Wilmington Trust	Indenture Trustee, represents interests of holders of the DRA Bonds





GDB Qualifying Modification

2021 – 2024 Debt Settlement Progress

Restructuring of DRA-Held Assets

Since January 2021, over \$3.3 billion in DRA-held loans of public entities (principal only) have been resolved through the debt restructuring mechanisms available under PROMESA.

Borrower	Date	Type of Assets	Principal ² (\$ in millions)	Restructuring Mechanism
Commonwealth	March 2022	GO Loan	\$21.1	Title III – Commonwealth
Commonwealth	March 2022	GO Loan	34.8	Title III – Commonwealth
Commonwealth	March 2022	GO Loan	50.4	Title III – Commonwealth
Commonwealth	March 2022	GO Loan	63.1	Title III – Commonwealth
Port of the Americas	March 2022	GO Guaranteed Bonds	225.5	Title III – Commonwealth
Public Buildings Authority	March 2022	PBA Loan	48.8	Title III – Commonwealth
Public Buildings Authority	March 2022	PBA Loan	11.8	Title III – Commonwealth
Public Buildings Authority	March 2022	PBA Loan	38.3	Title III – Commonwealth
Public Buildings Authority	March 2022	PBA Loan	38.5	Title III – Commonwealth
CRIM	August 2022	Loans	131.0	Section 207 Settlement
Highway and Transportation Authority	December 2022	Revenue Bonds	200.0	Title III – HTA
Highway and Transportation Authority	December 2022	Loans	1,733.7	Title III – HTA
Various ⁽¹⁾	October 2023	Various Loans ⁽¹⁾	65.5	Section 207 Settlement
Ports	January 2024	Loans	601.1	Section 207 Settlement
Tourism Development Fund	December 2023	Loans/Bonds	\$90.0	Title VI

Notes: (1) Includes loans to HFA, FIDA, Ports Authority of Ponce, Port of the Americas and EDB. (2) Excludes accrued interest.





GDB Qualifying Modification

Public Entity Loans Pending Resolution

Public Entity Loans Pending Resolution

DRA-held public entity loans, municipal loans, CVIs and GDB Retained Loans represent the sole source of repayment of the remaining DRA Bonds.

(\$ in millions)

DRA Assets					
DRA Assets - Performing		DRA Assets - CVIs		DRA Assets - Pending Resolution	
Borrower	Principal	Borrower	Principal	Borrower	Principal
Performing Municipal Loans ⁽¹⁾	\$731.6	Clawback CVIs (74514L4G9) ⁽⁵⁾	\$52.4	CCDA	\$138.4
Non-Performing Municipal Loans ⁽²⁾	14.6	Clawback CVIs (74514L4E4) ⁽⁶⁾	1,252.5	PRIDCO	52.9
CRIM	27.7	Total	\$1,304.9	Solid Waste	50.2
Total	\$773.9			ASEM ⁽³⁾⁽⁴⁾	282.5
				ASES ⁽³⁾	182.2
				Península Cantera ⁽³⁾	37.8
				Special Communities ⁽³⁾	234.7
				Cancer Center ⁽³⁾⁽⁴⁾	120.5
				P3 Authority ⁽³⁾	6.2
				Total	\$1,105.3

The **GDB Retained Loans** are loans of certain public entities that remained at GDB for which GDB has a contractual duty to the DRA to use commercially reasonable best efforts to maximize proceeds and transfer such proceeds, if any, to the DRA.

Notes: (1) Includes CAE, IVU, Operational and Revenue loans, representing 98% of the municipal loan portfolio held by the DRA. (2) Includes non-performing lines of credit pending resolution. (3) Represent GDB Retained Loans which are serviced by GDB, but recoveries, if any, belong to DRA. GDB must use commercially reasonable efforts to resolve these loans. (4) Include mortgages over certain ASEM and Comprehensive Cancer Center facilities.. (5) Commonwealth/Clawback CVIs, (6) HTA Loans CVI.



DRA Assets with Recoveries from Own Sources

Summary of DRA assets with recoveries not dependent on the Government.

(\$ in millions)

Description	Outstanding Principal (\$)	Source of Recovery
PRIDCO		
20010821000100401	24.5	PRIDCO
20010821500100401	7.1	PRIDCO
20010821500100402	8.2	PRIDCO
20010821500100403	13.0	PRIDCO
CRIM		
CRIM (Excluding Ponce)	2.5	MUNIS
CRIM (Ponce)	26.0	PONCE
Outstanding Principal	81.8	

Lien on revenues of PRIDCO and right to proceeds from sale of properties included in loan documents (if sold, cannot force sale).

Main source of payment is legislative appropriations. Additional rights and remedies:

- (i) Sue to seek repayment of the line of credit and obtain an order requiring the sale of any property of PRIDCO
- (ii) Sue to seek specific performance and injunctive relief; and
- (iii) Enforce any other remedy available under PR law.



DRA Assets Payable from Legislative Appropriations

Summary of DRA assets with recoveries, if any, dependent on Government support.

(\$ in millions)

Description	Outstanding Principal (\$)	Source of Recovery
Convention Center District Authority		
20005721500100401	81.4	CW
20005721500100402	57.0	CW
Solid Waste Management Authority		
20008021500100401	4.9	CW
20008021500100404	25.8	CW
20008021500100402	14.3	CW
20008021500100403	5.2	CW
Cantera Integral Dev. Company		
20002221500100400	8.8	CW
20002221500100402	29.0	CW
Other – GDB Retained Loans		
Special Communities Perpetual Trust	234.7	CW
Public Private Partnership Authority	6.2	
Health Insurance Administration (ASES)	182.2	CW
Outstanding Principal	649.5	

CCDA agrees to repay outstanding principal amount from future bond issues, or from funds product of bonds issued or to be issued by COFINA.

Payable from legislative appropriations up to a maximum of \$75 million, or with funds product of bonds issued or to be issued by COFINA. Additional rights and remedies:

- (i) Sue to seek specific performance and injunctive relief; and
- (ii) Enforce any other remedy

Payable from legislative appropriations. Same rights and remedies as described above.

Payable from funds received for services and charges imposed by P3A in the discharge of its functions, and any funds available from the initial or periodic payments generated from the partnership contracts. Same rights and remedies as described above.

Payable from legislative appropriations and from cash available from time to time after payments due to suppliers, service providers, and employees. Security interest.



DRA Assets Payable from Legislative Appropriations and Secured by Mortgages

Summary of DRA assets payable from legislative appropriations but secured by mortgages over real estate of highly sensitive assets that will require Government support for resolution.

(\$ in millions)

Description	Outstanding Principal (\$)	Source of Recovery
Comprehensive Cancer Center		
20054321500100401	31.9	CW
20054321500100402	88.5	CW
Other – GDB Retained Loans		
Administration of Medical Services	282.4	CW
Outstanding Principal	402.9	

Payable from legislative appropriations; have mortgage over real estate, security interests on receivables, equipment, etc.

Payable from legislative appropriations; have mortgages over real estate, security interest over receivables, cash, etc.





DRA Bonds

Historical Principal Amortization

DRA Bonds | Timeline of Principal Reduction

The reduction in DRA outstanding bonds from \$2.6 billion to \$1.2 billion has been the result of recoveries from the resolution of non-performing assets (loans, bonds and real estate) and collections on performing assets (mostly municipal loans).

(\$ in millions)	Description	Amount
	DRA Bonds: Original Principal Issued at GDB QM effective date (11/29/18)	2,598
	<u>Less: Principal Paydowns to Date¹</u>	
	Principal Payment on 11/29/2018	(495)
	Principal Payment on 2/20/2019	
	Principal Payment on 8/20/2019	(26)
	Principal Payment on 2/20/2020	36
	Principal Payment on 8/20/2020	(28)
	Principal Payment on 2/20/2021	0
	Principal Payment on 8/20/2021	(293)
	Principal Payment on 2/20/2022	54
	Principal Payment on 8/20/2022	(198)
	Principal Payment on 2/20/2023	(37)
	Principal Payment on 8/21/2023	(59)
	PFC Settlement 9/18/2023	48
	Principal Payment on 2/20/2024	(332)
	Principal Payment on 8/20/2024	(93)
	Sub-Total, Principal Paydowns to Date	(1,422)
	Outstanding Principal (after 8/20/24 payment)¹	1,176

Source: (1) Wilmington Trust Notices of Payment.





Appendix A: Pre & Post GDB Qualifying Modification Assets and Liabilities

GDB Pre-Qualifying Modification

(\$ in thousands)

Government Development Bank of Puerto Rico

Key Assets*		Key Liabilities*	
Public Corps & Agencies	\$5,783	Deposits	\$3,549
Municipal Loans	1,923	GDB Senior Notes	3,765
Real Estate Owned	63		

* Amounts shown are as of December 31, 2017, before the application of deposits held at GDB against the respective loan balances, as applicable.

Key Transaction Documents:

1. Final Offering Memorandum
2. Master Transfer Agreement
3. Act 109 of 2017, as amended
4. UCC Stipulation
5. Judge Swain Order



GDB Post-Qualifying Modification

Government Development Bank (Post Qualifying Modification)

(\$ in thousands)

Government Development Bank of Puerto Rico

DRA*		GDB*		Public Entity Trust (PET)*							
Assets*		Liabilities		Assets*		Liabilities					
Municipal Loans	\$1,224	DRA Bonds	\$2,598	GDB Retained Loans	\$981	P3 Guarantees		Appropriation Loans	\$578	DRA Bonds	\$2,598
Public and GO Guaranteed	2,689			Additional Perf Loans**	142	Airport P3		UCC Stipulation			
GO and GO Guaranteed	395			Cash (Operations)	8	PR22/PR5 P3		Fixed Cash	20		
Closing Cash	490			Cash (Reserves)	17			Contingent Cash	10		
Real Estate Owned	34										

Article 501 of Act 109 – 2017, as amended, provided for the principal amount of debt obligations held by GDB to be reduced by the balance of any liability of GDB to a corresponding borrower (deposits and other liabilities).

Notes: (1) Balances shown above do not include asset sales, loan resolutions and other transactions that may have occurred after November 29, 2018. For detail on current balances, refer to pages 8 and 9. * Amounts shown are as of November 29, 2018, after the application of deposits held at GDB against the respective loan balances, as applicable. ** Additional Performing Loans were transferred to the DRA on May 29, 2020, pursuant to the terms of the Master Transfer Agreement.





Appendix B: DRA Overview

DRA Overview

- The GDB Restructuring Act (Act 109-2017, as amended) was enacted to establish the legal framework for the GDB Qualifying Modification to ensure compliance with GDB's Fiscal Plan and protect the public interest, ensuring also that essential services from the Government, municipalities and other instrumentalities continue.
- In enacting the GDB Restructuring Act, the Legislature explicitly determined that the DRA has a **public purpose and is in the best interests of the people of Puerto Rico.**
- AmeriNat (the "Servicer") was contracted by the DRA to service the assets transferred from GDB to the DRA (the "DRA Assets").
- Wilmington Trust (the "Indenture Trustee"), on behalf of the DRA Bondholders, contracted Cantor-Katz Collateral Monitor, LLC (the "Collateral Monitor") to monitor the activities of the Servicer and the condition and performance of the DRA Assets.
- **The Servicer, as agent for the DRA, and the Collateral Monitor, as agent for the creditors, serve the interests of different entities and serve different functions.**



DRA Overview – Asset Restrictions

- To protect the interests of Puerto Rico, a central component of the GDB Qualifying Modification was that the DRA Assets would continue to be held by a Government entity (i.e., the DRA or GDB) and enforcement rights would be limited.
- To that end, the GDB Restructuring Act and the Master Transfer Agreement governing the transfer of loans from GDB to the DRA include the following restrictions (the “Asset Restrictions”):
 - With respect to any non-municipal loan, rights, remedies and powers in respect of such non-municipal loan may be exercised solely to the extent necessary
 - i. to assure that borrower’s funds that are available for debt service (consistent with the applicable Fiscal Plan, if any, and applicable PROMESA Budget, if any) are applied to such non-municipal loan in accordance with the applicable loan documents;
 - ii. to preserve, protect or defend any security or other rights benefiting such non-municipal loan;
 - iii. in the case of a non-municipal loan where the applicable borrower is under Title III or Title VI proceedings and such borrower has other creditors with the same legal priority as the DRA, to ensure that the DRA receives treatment that is the same as that provided to such other creditors.
- Asset Restrictions are a fundamental component of the GDB Qualifying Modification intended to facilitate the global restructuring of the Commonwealth, ensuring that no third-party servicer, like AmeriNat, aggressively enforces remedies with respect to DRA Assets and forces a public corporation into Title III or frustrates a pending Title III case.
- Pursuant to the Servicing Agreement, the Servicer shall comply with the Asset Restrictions in all respects.





Appendix C: Public Entity Trust Overview

Public Entity Trust (PET) Overview

- The PET was established to address GDB's deposit liabilities to non-municipal government entities as a result of the GDB Qualifying Modification. The non-municipal government deposits ("PET Claimants") did not receive DRA bonds as part of the GDB Qualifying Modification.
- PET is a public trust and governmental instrumentality of Puerto Rico, independent and separate from any other Commonwealth government entity (including, without limitation, GDB and the DRA) established pursuant to Public Deed of Trust #56.
- Certain specified assets of GDB that were not transferred to the DRA were transferred to the PET (the "PET Assets") and constitute the only source of potential distributions to the PET Claimants.
- PET Assets consist of loans to public agencies and departments of the Commonwealth that are primarily payable from legislative appropriations, with a principal balance that was capped at \$578 million.
- Under the Commonwealth's Plan of Adjustment, loans payable from legislative appropriations did not receive any distribution or consideration.
- PET has a residual equity interest in the DRA, pursuant to which it will receive a distribution of the remaining assets of the DRA, if any, after the DRA bonds, certain costs in connection with the restructuring of GDB and other indebtedness of the DRA are paid in cash in full or otherwise discharged pursuant to the terms of the GDB Qualifying Modification.





Appendix D: GDB Post-Qualifying Modification Obligations

GDB Post-Qualifying Modification Obligations

Master Transfer Agreement

Obligation	Section	Text of Contractual Provision
Notice of Receipt, Identification or Discovery of Assets or Collections	Section 3(b): Transferred Property Conveyed Post-Closing Date	No later than <u>5 Business Days</u> following the receipt, identification or discovery, as applicable, of any Transferred Property or Collections, to the extent not already transferred to the Issuer, GDB shall notify the Issuer, the Servicer and the Collateral Monitor of such receipt, identification or discovery, as applicable, which notification shall reasonably identify the relevant Transferred Property or Collections.
Transfer of Collections or Assets	Section 3(a): Transferred Property Conveyed Post-Closing Date	No later than <u>15 days</u> following (i) the discovery of any Unknown Assets, (ii) the receipt of any GDB Retained Loan Proceeds, Litigation Proceeds (subject to Section 3(e)) or Collections (other than Collections subject to the Keepwell Agreement) or (iii) the identification of any Cash Assets (including the Residual GDB Cash Assets), GDB shall transfer to the Issuer, or take all necessary steps to complete the transfer thereto of, such Transferred Property (in each case, net of any reasonable, documented expenses in excess of GDB's ordinary operating expenses incurred in connection with obtaining such Unknown Assets, GDB Retained Loan Proceeds, Litigation Proceeds or Cash Assets, as applicable), whether held by GDB or a third party, pending which such assets shall be held in trust for the Issuer.
	Section 5(a): Transfer Notice; Books and Records	Each transfer of Transferred Property, whether transferred on the Closing Date or thereafter, shall be documented as set forth in this Section 5, and each item of Transferred Property so transferred shall be reasonably identified in a written notice of transfer, delivered by GDB to the Issuer, the Servicer and the Collateral Monitor; <i>provided</i> that such identification may be made in general terms so long as it contains information as may be necessary to make such transfer valid and effective pursuant to the GDB Restructuring Act.
	Section 5(b): Transfer Notice; Books and Records	In connection with any transfer of Transferred Property, GDB shall, at its own expense, on or prior to the date of such transfer, deliver to the Servicer, on behalf of the Issuer, all Asset Documents relating to such Transferred Property that are in the possession or control of GDB (other than (i) any Asset Document in GDB's possession or control solely as a result of GDB's former role as fiscal agent and financial advisor to the Commonwealth and its instrumentalities and municipalities (other than GDB) and (ii) any Asset Document constituting privileged information, the transfer to the Issuer of which would result in the loss of such privilege), and the respective accounting records and computer files of GDB and the Issuer shall reflect such transfer and assignment.

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.



GDB Post-Qualifying Modification Obligations

Master Transfer Agreement (continued)

Obligation	Section	Text of Contractual Provision
Transfer of Collections or Assets (continued)	Section 6(a): Issuer Responsibility for Transferred Property; Filing of Transfer Documents and Payment of Fees and Taxes; Notices to Obligors; Collection Account.	GDB shall be responsible for the determination of whether any document or instrument must be filed or recorded with any governmental or other entity as a condition to such transfer and for the payment of any transfer fee, transfer tax, recording fee, intangibles tax or stamp tax or other tax or fee that may be required in connection with such transfer.
	Section 6(b): Issuer Responsibility for Transferred Property; Filing of Transfer Documents and Payment of Fees and Taxes; Notices to Obligors; Collection Account.	GDB shall provide notice to each Obligor and relevant payment intermediary in respect of the Loans constituting Transferred Property and all other relevant Persons of such transfers notifying such Persons of the transfer of the Transferred Property and directing such Persons to send all future payments in respect of such Transferred Property as directed by the Servicer, pursuant to the Servicing Agreement. GDB shall use reasonable best efforts and cooperate with the Servicer to ensure the relevant payors make all future payments in respect of the Transferred Property directly to the Collection Account or otherwise to the Servicer. In the event that, after the Closing Date, any Collections are not remitted directly to the Servicer or the Collection Account or are received by GDB in any manner, GDB will remit or cause to be remitted such Collections to the Servicer in accordance with Section 3(a) hereof (i.e, within 15 days) or as required pursuant to the Keepwell Agreement, as applicable.
	Section 6(c): Issuer Responsibility for Transferred Property; Filing of Transfer Documents and Payment of Fees and Taxes; Notices to Obligors; Collection Account.	To the extent that any such transfer requires that notice of such transfer be given to the Obligor on any Transferred Property, or that any other condition be met for such transfer to be effective, GDB shall be solely responsible for providing such notice or satisfying such condition, and Issuer shall have no duty or obligation to provide such notice or satisfy such condition or to investigate whether such notice has been given or such condition is satisfied.

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.



GDB Post-Qualifying Modification Obligations

Master Transfer Agreement (continued)

Obligation	Section	Text of Contractual Provision
Management of the GDB Retained Loans	Section 10(a)(iv): Covenants	<p>GDB shall use commercially reasonable best efforts to maximize the return on the GDB Retained Loans, <i>provided</i> that it shall not be required to bring any action seeking to obtain a judgment against a public entity that is an obligor under any such Loan or seeking to foreclose upon any of such public entity's assets except, in each case, insofar as is necessary to preserve the payment or lien priority or rights in respect of any such Loan.</p> <p>GDB shall provide the Issuer, the Servicer and the Collateral Monitor with all material communications and other materials relating to any modification, restructuring or similar transaction in respect of the GDB Retained Loans.</p>
Transfer of Litigation Proceeds	Section 3(e): Transferred Property Conveyed Post-Closing Date	<p>Notwithstanding anything to the contrary herein, GDB may retain all Litigation Proceeds solely for the purposes of (i) satisfying or resolving any contingent and unliquidated claims against GDB arising on or before the Closing Date (other than the claims resolved pursuant to the Qualifying Modification or the GDB Restructuring Act) and (ii) complying with its obligations under Paragraph 14 of the UCC Stipulation.</p> <p>Upon its sole determination that all such contingent and unliquidated claims and all such obligations under the UCC Stipulation have been satisfied or resolved, GDB shall transfer to the Issuer the remaining Litigation Proceeds in GDB's possession or control at such time and all Litigation Proceeds received by GDB thereafter in accordance with Section 3(a) above (<i>i.e.</i>, within 15 days).</p>
Use of Cash only for "Permitted Uses"⁽¹⁾	Section 4(b): Excluded GDB Assets; Cash Adjustments; GDB Budget.	GDB shall retain and apply the Cash Adjustments exclusively for the satisfaction of the Permitted Uses.

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.

(1) **"Permitted Uses"** means, exclusively, the following permitted uses of the Cash Adjustments: i) the use of the Transaction Cost Reserve to pay transaction costs associated with the Qualifying Modification, including the professional fees and expenses of GDB, AAFAF and the professionals required to be paid pursuant to the Restructuring Support Agreement; ii) the use of the Vendor Claim Reserve to pay Open or Disputed Vendor Claims; iii) the transfer of the Employee Trust Reserve to a new trust for the payment of certain obligations of GDB to former employees under several pre-retirement programs in accordance with Article 705 of the GDB Restructuring Act; iv) the use of the 2015-17 Excess CAE Settlement Amount to pay claims of municipalities of the Commonwealth against GDB for undisbursed Excess CAE in accordance with Article 502 of the GDB Restructuring Act; v) the use of the UCC Fixed Settlement Amount to satisfy GDB's obligations under Paragraph 1 of the UCC Stipulation; vi) the use of the Siemens Settlement Amount to satisfy GDB's obligations under the Siemens Stipulation and vii) the use of the Operating Reserve to pay operating expenses of GDB and the Public Entity Trust in accordance with the GDB Budget.



GDB Post-Qualifying Modification Obligations

Master Transfer Agreement (continued)

Obligation	Section	Text of Contractual Provision
Transfer of Excess Cash	Section 4(b): Excluded GDB Assets; Cash Adjustments; GDB Budget.	Upon GDB's determination that all obligations required to be paid with the Cash Adjustments have been provided for, GDB shall transfer (A) any Excess Reserved Cash in an aggregate amount up to \$10 million to the Public Entity Trust in satisfaction of GDB's obligations under Paragraph 2 of the UCC Stipulation and (B) any Residual GDB Cash Assets to the Issuer pursuant to Section 3(a) (i.e., within 15 days).
GDB Budget	Section 4(b): Excluded GDB Assets; Cash Adjustments; GDB Budget.	<p>On or prior to the date that is <u>45 days following the end of each fiscal quarter</u>, GDB shall prepare and deliver to the Issuer, the Servicer and the Collateral Monitor a Proposed GDB Budget, along with explanations of any material variances to the previous GDB Budget, which shall be in form and substance reasonably acceptable to the Collateral Monitor. Upon acceptance of such Proposed GDB Budget by the Collateral Monitor, the Proposed GDB Budget shall become the new GDB Budget, which GDB shall deliver to the Issuer, the Servicer and the Collateral Monitor; provided, however, that any such GDB Budget shall be superseded by the applicable PROMESA Budget for GDB to the extent GDB's compliance with such GDB Budget would cause GDB to be in violation of such PROMESA Budget.</p> <p>Each GDB Budget shall set forth, among other things, projected cash disbursements, including anticipated uses of the Cash Adjustments, and projected cash receipts of GDB on a monthly basis for the immediately following twelve months and on a quarterly basis thereafter.</p>

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.



GDB Post-Qualifying Modification Obligations

Keepwell Agreement

Obligation	Section	Text of Contractual Provision
Reconvey the Restructuring Property	Section 2(a): Covenant to Transfer or Convey the Restructuring Property	GDB hereby agrees that, in the event that (i) GDB acquires title to, beneficial ownership of or control over, any part of any Restructuring Property after it has been transferred to the Issuer by GDB pursuant to the Transfer Agreement (whether such acquisition occurs by operation of law, by court order or in any other manner) or (ii) the transfer by GDB to the Issuer of any part of any Restructuring Property is deemed invalid or void for any reason at any time (whether pursuant to legislative action, determination by a court of competent jurisdiction or otherwise) (each of (i) and (ii), a "Transfer Trigger Event"), GDB shall take such steps as may be necessary to irrevocably retransfer or convey such Restructuring Property to the Indenture Trustee, or such other Independent Person as the Indenture Trustee may designate (any such property received by the Indenture Trustee or such other designated Independent Person in partial or full satisfaction of GDB's obligations under this Section 2, "Trustee-Held Property"), to be held for the benefit of the Bondholders pursuant to and subject to the terms of the Bond Indenture and to be applied to payments on the Bonds pursuant to the terms hereof and of the Bond Indenture (or if such retransfer or conveyance would violate any law or court order, GDB shall take such other actions as may be necessary such that the Bondholders receive the economic equivalent thereof).
Indemnification Triggers	Section 3(a): Indemnification	GDB hereby agrees to indemnify and hold the Bondholders (collectively, other than any Non-Indemnified Bondholders, the "Indemnified Parties") harmless from and against all damages and losses suffered or incurred by the Indemnified Parties that are the result of an Indemnification Trigger Event (as defined herein) (collectively, the "Covered Losses"), except that (i) an impairment resulting from an immaterial diminution in value of the Restructuring Property shall not independently give rise to a claim for indemnification and (ii) a Bondholder shall not be entitled to indemnification for Covered Losses to the extent that the Indemnification Trigger Event results from the actions of such Bondholder, or the actions of the Indenture Trustee taken at the direction of such Bondholder (such Bondholder, a "Non-Indemnified Bondholder"). An "Indemnification Trigger Event" shall mean any legislative action or determination by a court of competent jurisdiction causing the Qualifying Modification, the Bonds or the rights or liens of the Issuer, the Indenture Trustee or the Bondholders in respect of the Restructuring Property or the Bonds to be impaired, rescinded or avoided or otherwise rendered not enforceable in accordance with their terms; it being understood that for purposes of such definition, (y) "legislative action" shall mean any Puerto Rico legislative action signed into law and (z) "determination by a court of competent jurisdiction" shall mean a final order of a court of competent jurisdiction not subject to appeal.

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.



GDB Post-Qualifying Modification Obligations

Keepwell Agreement (continued)

Obligation	Section	Text of Contractual Provision
Indemnification Amount	Section 3(b) and (f): Indemnification	<p>GDB and the other Parties hereby agree and stipulate that, upon the occurrence of an Indemnification Trigger Event, GDB shall be liable to the Indemnified Parties, and shall pay to the Indenture Trustee for the benefit of the Indemnified Parties, an amount such that, after payment in full of the Indemnified Parties' claims against GDB in respect of such liability and any distributions thereon, including in any bankruptcy, insolvency, receivership or similar proceedings in respect of GDB, the Indemnified Parties shall be fully compensated for the Covered Losses. The Parties agree and stipulate that the Covered Losses shall be calculated as (i) the sum of the face amount of the Participating Bond Claims immediately prior to the cancellation thereof pursuant to the Qualifying Modification and the interest that would have accrued on the Participating Bond Claims from and including the date hereof to but excluding the date of payment of indemnity hereunder had the Participating Bond Claims not been cancelled pursuant to the Qualifying Modification, <i>minus</i> (ii) the sum of, in each case to the extent recovered by the Bondholders as a class, (A) all distributions made on the Bonds prior to the date of payment of indemnity hereunder, (B) the value of the Bonds (excluding the value derived from the right of Bondholders to any payment of indemnity hereunder) as of the date of the payment of indemnity hereunder (after taking account of the effect of the Indemnification Trigger Event) and (C) any indemnification, contribution, compensation or other payment paid to the Indemnified Parties by any third party with respect to such Covered Loss, <i>plus</i> (iii) any amounts owing to the Indenture Trustee pursuant to the Bond Indenture and the expenses of the Indenture Trustee or such other Person designated by the Indenture Trustee in respect of realizing such Indemnification Proceeds. The Parties hereby further agree and stipulate that, other than in the context of an insolvency proceeding of GDB (including but not limited to a proceeding under Title III of PROMESA) the Indemnified Parties shall forbear from seeking to recover from GDB Covered Losses in excess of the total assets of GDB.</p> <p>The Indemnified Party, Indenture Trustee (subject to the indemnification provisions under the Bond Indenture), Issuer and GDB shall cooperate fully with each other with respect to the defense against and opposition to any Claim and, regardless of which party has control of the opposition thereto as provided for herein, shall keep each other reasonably advised with respect thereto.</p>

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.



GDB Post-Qualifying Modification Obligations

Keepwell Agreement (continued)

Obligation	Section	Text of Contractual Provision
Grant and Perfection of Security Interest	Section 4: Security	GDB, in order to secure the due, full and punctual performance of all of its obligations under this Agreement, hereby grants to the Indenture Trustee, for the benefit of the Bondholders, a continuing lien on and security interest in (a) all rights and interest of GDB, if any, held by it from time to time in any Restructuring Property, (b) all rights of GDB, if any, from time to time to receive any Restructuring Property and (c) all rights and interest of GDB held by it from time to time in any proceeds of the Restructuring Property, in each case whether now owned or existing or hereafter acquired or arising and regardless of where located. The Parties acknowledge that the Restructuring Property is subject to a statutory lien in favor of the Indenture Trustee, for the benefit of the Bondholders, which lien shall be senior to any other lien encumbering the Restructuring Property, imposed by and subject to Article 402 of the GDB Restructuring Act. For the avoidance of doubt, the right of the Indenture Trustee, in its capacity as a secured party hereunder, to enforce the security interest granted under this Section 4 shall arise only upon the occurrence of a Transfer Trigger Event or an Indemnification Trigger Event. GDB will do all such things and execute such documents, in each case as the Indenture Trustee may reasonably request, to create, protect, preserve, confirm, perfect or validate the foregoing grant of security, to enable the Indenture Trustee, in accordance with the provisions of the Bond Indenture, to protect and enforce the same and any of its rights, powers and remedies related thereto or to enable the Indenture Trustee and the Bondholders to obtain the full benefit of the security interest granted hereby; provided, however, the Parties acknowledge that nothing in the Bond Indenture requires the Indenture Trustee to file or cause to be filed any financing statement, continuation statement or similar record or to otherwise take any action not specifically set forth in the Bond Indenture absent direction and indemnity from Bondholders holding not less than 25% of the Outstanding Amount.
Notice of Trigger Events	Section 5(a): Notice; Enforcement	Upon the occurrence of a Transfer Trigger Event or an Indemnification Trigger Event, each of the Parties shall notify each of the other Parties, and the Indenture Trustee, upon becoming aware of such occurrence (whether by notification from GDB or the Issuer or otherwise), shall notify the Bondholders in accordance with the Bond Indenture.

Note: Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Master Transfer Agreement or the Keepwell Agreement, as applicable.

