

**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  
AUGUST 1, 2017 PRINCIPAL AND INTEREST PAYMENTS, (III)  
LEGISLATION EXTENDING THE EMERGENCY PERIOD UNDER  
DEBT COMPLIANCE ACT, (IV) DEVELOPMENTS RELATING TO  
PROMESA OVERSIGHT BOARD, (V) PROPOSED LEGISLATION TO  
EXECUTE GDB PROPOSED RESTRUCTURING AND (VI) LAW SUITS  
CHALLENGING GDB PROPOSED 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. 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, and June 1, 2017. 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 July 1, 2017 interest payment (the "July 1 Payment") default within thirty days.

Furthermore, the Maturity Date for the 2011 Series H Notes with CUSIP No. 745177FB6 (the "2011 Series H Notes") was August 1, 2017. As of August 3, 2017, GDB failed to pay the principal due on the 2011 Series H Notes in the approximate amount of \$226,855,000. The failure by GDB to pay the principal of the 2011 Series H Notes at maturity constitutes an additional Event of Default with respect to such notes, which were previously in default on account of GDB's failure to make interest payments from and after August 1, 2016.

### **Additional Defaults**

The Trustee hereby further notifies you that GDB failed to pay the interest due and owing as of August 1, 2017. Appendix A attached hereto identifies the specific notes affected by and the dates of the above-mentioned defaults.

### **Legislation to Extend 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 July 19, 2017, Governor Rossello signed legislation amending the Debt Compliance Act to extend the emergency period under the act and the related moratorium through December 31, 2017. The new law also grants the governor authority to further extend the emergency period and the moratorium by executive order for additional periods of no more than six months each for so long as the Oversight Board (defined below) remains in place.

### **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 Finance 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 of the following developments relating to the Oversight Board:

- On July 19, 2017, Elias Sanchez-Sifonte tendered his resignation as Governor Rossello's non-voting representative on the Oversight Board. On July 20, 2017, Governor Rossello appointed GDB President Christian Sobrino to replace Mr. Sanchez-Sifonte as the governor's non-voting representative on the Oversight Board.
- On July 30, 2017, the Oversight Board released its annual report for the fiscal year ended June 30, 2017.
- On August 2, 2017, the Oversight Board issued a press release announcing its intention, pursuant to the authority granted to it by PROMESA, to commence a comprehensive investigation of Puerto Rico's debt and its relation to the fiscal crisis, including "a review of the fiscal crisis and its contributors, and an examination of Puerto Rico's debt and its issuance, including disclosure and selling practices." According to the press release, the Oversight Board proposes to form a special committee of the Oversight Board for the purpose of appointing an independent investigator to carry out the investigation. The press release further indicates that the Oversight Board will make its findings public.
- On August 4, 2017, the Oversight Board held its ninth public meeting in Fajardo, Puerto Rico, at which, among other things, the Oversight Board adopted a Unanimous Written Consent dated July 12, 2017, approving the certified fiscal plan for GDB, as revised, and took certain actions in connection with "rightsizing measures" called for in the Commonwealth's certified fiscal plan, including approving a modified public employee furlough program to commence September 1, 2017.

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>.

### **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 have agreed to

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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.

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”). Copies of the original and updated versions of the RSA, together with all exhibits and schedules thereto, are available on the special website established by the Trustee’s counsel described below. The parties to the RSA intend for the Proposed Restructuring to be effected through a Qualifying Modification pursuant to Title VI of PROMESA.

As you were also previously notified, on June 19, 2017, GDB and AAFAF announced that parties representing over 50% of GDB’s Participating Bond Claims had signed the RSA and that the RSA had become effective pursuant to its terms on May 17, 2017. Pursuant to the RSA, “Participating Bond Claims” include (i) all claims for principal and accrued interest in respect of the bonds (including the Notes that are the subject of this notice) issued pursuant to the Base Indenture, as supplemented from time to time, (ii) certain deposit claims against GDB identified on Schedule 1 to the Term Sheet, (iii) claims in respect of certain outstanding letters of credit issued by GDB as set forth on Schedule 2 to the Term Sheet, and (iv) claims in respect of certain outstanding guarantees issued by GDB as set forth on Schedule 3 to the Term Sheet.

On July 14, 2017, the Oversight Board announced that, upon AAFAF’s June 30, 2017 request, it authorized GDB to pursue the restructuring of its debts under Title VI of PROMESA and conditionally certified the RSA as a Qualifying Modification pursuant to Section 602(g) of PROMESA.

On July 31, 2017, at the start of a special legislative session called by the Governor, the Rossello Administration introduced legislation (House Bill 1164) which is intended to execute the Proposed Restructuring. The proposed “Law to Restructure the Debt of the Government Development Bank of Puerto Rico” passed the Puerto Rico House of Representatives, as amended, on August 4, 2017, and the Puerto Rico Senate on August 10, 2017, and now awaits action by the Governor. Among other things, the law would establish the GDB Debt Recovery Authority (the “Authority”), including its structure, faculties, limitations and powers, would establish the GDB Public Entity Trust (for the benefit of certain designated depositors) (the “Trust”), would authorize the transfer of certain assets and obligations to the Authority and the Trust, would authorize the Authority to issue restructuring bonds and would establish the conditions for the issuance of such restructuring bonds, including statutory liens to guarantee the restructuring bonds.

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

As you were previously notified, the Oversight Board has authorized and commenced 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 United States 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.

On July 21, 2017, an ad hoc committee comprised of the municipalities of Mayaguez, Isabela, Quebradillas, Guayama, Cabo Rojo, San German, Adjuntas, Guayanilla, Guanica, Anasco, and Barceloneta filed a motion with the U.S. District Court seeking appointment of an official committee of municipalities to represent the interests of all seventy-eight (78) Commonwealth municipalities in the jointly administered Title III proceedings. On August 9, 2017, the U.S. District Court denied the request for the appointment of an official committee of municipalities in the Title III proceedings.

### **Law Suits Filed Against GDB**

The following law suits have been commenced against GDB since the expiration of the PROMESA litigation stay on May 1, 2017.

- On June 26, 2017, the Municipality of San Juan (“San Juan”) commenced a lawsuit in the Commonwealth of Puerto Rico Court of First Instance against GDB and its president, Christian Sobrino, in his official capacity, seeking to compel GDB to disburse to San Juan surplus CAE (special tax collections used to pay debt service on bonds issued through the Municipal Finance Authority) held in trust by GDB, aggregating \$22.9 million for fiscal years 2015 and 2016 and estimated to be no less than \$40.8 million for fiscal year 2017. At a July 6, 2017 hearing in the matter, San Juan indicated that it would voluntarily withdraw its requests for a writ of mandamus and for a preliminary injunction and would file an amended complaint.
- On July 26, 2017, San Juan commenced a second law suit, this one in the U.S. District Court, naming the Oversight Board, GDB and AAFAF as defendants (the “San Juan USDC Litigation”). The law suit seeks (i) declaratory relief to the effect that the Oversight Board’s contingent approval of the RSA is invalid because it fails to comply with PROMESA’s voting pool and executive session requirements and because the RSA’s provision for a ‘settlement’ of excess CAE trust funds violates PROMESA; (ii) a declaration that PROMESA and Article VI, Clause 2 of the U.S. Constitution preempt Puerto Rican laws and executive orders that purport to prohibit withdrawals of municipal deposits from the GDB; and (iii) a permanent injunction preventing GDB and AAFAF from submitting to the Oversight Board, and the Oversight Board from certifying, any RSA that “does not provide a separate voting pool for municipal depositors with setoff rights” or “contemplates the use of excess CAE trust funds for the benefit of non-municipal creditors.” A number of other municipalities have filed motions seeking to intervene as plaintiffs in the San Juan USDC Litigation; except for denying a

procedurally defective request to “join” the litigation by the Municipality of Mayaguez, the District Court has yet to rule on the requests to intervene.

- On July 17, 2017, the Municipality of Caguas filed its own law suit in the U.S. District Court seeking declaratory, injunctive and other equitable relief prohibiting GDB and AAFAF from proceeding with the Proposed Restructuring, which, according to the municipality, violates certain provisions of PROMESA, other applicable law, including the Puerto Rico Municipal Financing Act of 1996 and certain articles of the Puerto Rico Civil Code, and the U.S. Constitution. The case has been assigned to Judge Swain. The deadline for the defendants in this law suit to file an answer or other responsive pleading is September 8, 2017.

### **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, 1500 K Street, N.W., Suite 1100, Washington, D.C. 20005 and her telephone number is 202-230-5177.

### **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 (202) 230-5177 (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: August 17, 2017

\* 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
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
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
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
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
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
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
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
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



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
745177FR1	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
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
745177EP6	2010B	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017
745177EU5	2010D	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017
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

**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)