

**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 EVENTS OF DEFAULT AND
FAILURE TO MAKE FEBRUARY 1, 2017 INTEREST PAYMENTS**

**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”).

By notice dated September 7, 2016, the Trustee previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB’s failure to make the August 1 interest payment (the “August 1 Payment”).

By notice dated October 12, 2016, the Trustee also previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB’s failure to make the September 1 interest payment (the “September 1 Payment”).

By notice dated November 4, 2016, the Trustee also previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB's failure to make the October 1 interest payment (the "October 1 Payment").

By notice dated December 9, 2016, the Trustee also previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB's failure to make the November 1 interest payment (the "November 1 Payment").

By notice dated January 9, 2017, the Trustee also previously notified you of the occurrence and continuance of certain Events of Default arising from the GDB's failure to make the December 1 interest payment (the "December 1 Payment").

The Trustee hereby notifies you of the occurrence and continuance of additional Events of Default arising from the GDB's failure to make the January 1 interest payment (the "January 1 Payment").

Furthermore, the Maturity Date for the 2012 Series A Notes with CUSIP No. 745177FM2 (the "2012 Series A Notes") was February 1, 2017. As of February 7, 2017, GDB failed to pay the principal due on the 2012 Series A Notes in the approximate amount of \$250,000,000. The failure by GDB to pay the principal of the 2012 Series A 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 the August 1 Payment.

Additional Defaults

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

Puerto Rico Financial Emergency and Fiscal Responsibility Act of 2017/ Partial Repeal of the April 6, 2016 Moratorium Act

As you were previously notified, under the prior administration of Alejandro Garcia-Padilla, on April 6, 2016, the Commonwealth enacted the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act (the "Moratorium Act"). Chapter 2 of the Moratorium Act (i) declared a moratorium on debt service payments by the Government of Puerto Rico, GDB and other instrumentalities of the Government of Puerto Rico and (ii) restricted the exercise and enforcement of remedies by creditors in connection with any non-payment of debt service obligations on account of the moratorium. Executive orders issued pursuant to the Moratorium Act by then-Governor Garcia-Padilla on April 8, 2016 and April 30, 2016 (the "Executive Orders") declared (i) GDB in a state of emergency and (ii) a moratorium on payment of all of GDB's "covered obligations" except deposits and interest obligations that do not require payments in cash, including payment on the Notes identified on Appendix A hereto, through January 31, 2017 (unless earlier revoked by the Governor).

On January 29, 2017, the Commonwealth enacted the Puerto Rico Financial Emergency and Fiscal Responsibility Act (the “Fiscal Responsibility Act” or the “Act”). The Fiscal Responsibility Act declares that it is the public policy of the Government of Puerto Rico to exercise its police powers in a manner that recognizes the responsibility to satisfy financial obligations of the Government of Puerto Rico and its instrumentalities, while continuing to provide governmental services essential to the health, safety and welfare of the residents of Puerto Rico given the limited available resources of the Commonwealth and its instrumentalities. And, in its “Statement of Intent” the Fiscal Responsibility Act states that “it is in Puerto Rico’s best interests to rescind laws inconsistent with PROMESA (defined below) that impede a voluntary negotiation process with creditors,” to which end the Fiscal Responsibility Act repeals Chapters 1 and 2 of the Moratorium Act and directs the Governor to pay debt service to the extent (a) possible after all essential services of the Commonwealth have been provided for or (b) ordered to do so by the Oversight Board (defined below) or any other board created under federal law. The Act charges the Governor with designating which services provided by the Commonwealth and its instrumentalities are “essential services.”

The Fiscal Responsibility Act establishes a new Emergency Period effective from the date of enactment through May 1, 2017 (which may be extended for one additional period of three months), and grants the Governor “broad receivership powers” during the Emergency Period. The Governor is authorized to, among other things, (i) order the lapse or return of unexpended multi-year appropriations to the general fund, (ii) require and approve or disapprove, or amend or revise, a plan for paying debt obligations of the Commonwealth or its instrumentalities, (iii) reject, modify or terminate the terms and conditions of existing executory contracts of government entities within the Executive Branch, and (iv) enter into mediation with one or more interested parties in an effort to resolve any dispute relating to a debt obligation of the Commonwealth or an instrumentality of the Commonwealth. In certain instances, the Governor may delegate the authority granted to him by the Fiscal Responsibility Act to the Puerto Rico Fiscal Agent and Financial Advisory Authority (FAFAA).

The Executive Orders issued by the prior administration pursuant to the Moratorium Act are not automatically repealed by the Fiscal Responsibility Act, but remain in full force and effect until amended, rescinded or superseded by the Governor.

Developments Relating to PROMESA Oversight Board

As you were previously notified, on June 30, 2016, 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, President Obama announced appointment of the seven (7) members of the Oversight Board.

The Oversight Board held its fourth public meeting on Saturday, January 28, 2017, in Fajardo, Puerto Rico, at which, among other things, the Oversight Board approved the requests of the new Administration of Ricardo Rossello for (1) an extension to February 28, 2017 of the

deadline to submit a fiscal and economic growth plan for certification by the Oversight Board (with the Oversight Board to render its decision on certification by no later than March 15, 2017) and (2) an extension from February 15, 2017 to May 1, 2017 of the automatic stay imposed by PROMESA. Both extensions are conditioned upon the Commonwealth Government meeting and adhering to certain conditions and timelines. The Oversight Board also set a deadline of February 21, 2017 for GDB to submit an initial draft of its fiscal plan.

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>.

PROMESA Stay

As you were previously notified, among PROMESA's provisions is an automatic stay of all liability-related litigation against the Commonwealth, which was or could have been commenced before PROMESA's enactment. The stay is designed to "allow the Government of Puerto Rico a limited period of time during which it can focus its resources on negotiating a voluntary resolution with its creditors instead of defending numerous, costly creditor lawsuits." On November 15, 2016, the United States District Court for the District of Puerto Rico (the "District Court") held in four lawsuits challenging the constitutionality of the Act and the Executive Orders (including a lawsuit being prosecuted by certain holders of the Notes)¹ that cause did not exist to vacate the PROMESA-imposed stay. The District Court found that the true harm resulting to the plaintiffs in the four lawsuits from the continued existence of the challenged provisions of the Act and the Executive Orders is largely (if not purely) pecuniary in nature and that the harm to the plaintiffs would thus not be "permanent" or "irreparable" because the monetary damages incurred by the plaintiffs during the stay could be quantified. The District Court also found that vacating the stay would undermine the comprehensive restructuring approach to the Commonwealth's debt crisis that PROMESA was designed to facilitate.

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

¹ The four lawsuits are *Brigade Leveraged Capital Structures Fund Ltd., et al. v. Alejandro Garcia-Padilla, et al.*, Civil No. 16-1610 (FAB), *National Public Finance Guarantee Corporation v. Alejandro Garcia-Padilla, et al.*, Civil No. 16-2101 (FAB), *Dionisio Trigo-Gonzalez, et al. v. Alejandro Garcia-Padilla, et al.*, Civil No. 16-2257 (FAB) and *U.S. Bank Trust National Association v. The Commonwealth of Puerto Rico, et al.*, Civil No. 16-2510 (FAB).

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, 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/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: February 8, 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>Aug. 1 Payment?</u>	<u>Sept. 1 Payment?</u>	<u>Oct. 1 Payment?</u>	<u>Nov. 1 Payment?</u>	<u>Dec. 1 Payment?</u>	<u>Jan. 1 Payment?</u>	<u>Feb. 1 Payment?</u>
745177CH6	2006B	5.00%	12/1/2016	N/A	N/A	N/A	N/A	No	N/A	N/A
745177CJ2	2006B	5.00%	12/1/2017	N/A	N/A	N/A	N/A	No	N/A	N/A
745177EN1	2010A	5.50%	8/1/2020	No	No	No	No	No	No	No
745177ET8	2010C	5.40%	8/1/2019	No	No	No	No	No	No	No
745177FB6	2011H	4.15%	8/1/2017	No	No	No	No	No	No	No
745177FC4	2011H	4.50%	8/1/2019	No	No	No	No	No	No	No
745177FD2	2011H	4.90%	8/1/2021	No	No	No	No	No	No	No
745177FE0	2011H	4.95%	8/1/2022	No	No	No	No	No	No	No
745177FF7	2011H	5.00%	8/1/2023	No	No	No	No	No	No	No
745177FH3	2011H	5.20%	8/1/2026	No	No	No	No	No	No	No
745177FK6	2011I	4.35%	8/1/2018	No	No	No	No	No	No	No
745177FQ3	2013 B-1	8.00%	12/1/2017	No	No	No	No	No	No	No
745177FR1	2013 B-1	8.00%	12/1/2018	No	No	No	No	No	No	No
745177FS9	2013 B-1	8.00%	12/1/2019	No	No	No	No	No	No	No
745177EP6	2010B	5.75%	8/1/2025	No	N/A	N/A	No	N/A	N/A	No

745177EU5	2010D	5.75%	8/1/2025	No	N/A	N/A	No	N/A	N/A	No
745177EX9	2011B	4.70%	5/1/2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
745177FM2	2012A	3.88%	2/1/2017	No	N/A	N/A	N/A	N/A	N/A	No
745177FN0	2012A	4.38%	2/1/2019	No	N/A	N/A	N/A	N/A	N/A	No

**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-11th Floor
Mail Code: MD2-CS58
Baltimore, MD 21201
JHSmith@wilmingtontrust.com