

**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  
NOVEMBER 1, 2017 INTEREST PAYMENTS, (III) TIME TABLE FOR  
CERTIFYING A REVISED FISCAL PLAN, AND  
(IV) OTHER DEVELOPMENTS RELATING TO THE PROMESA  
OVERSIGHT BOARD**

**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, June 1, 2017, July 1, 2017, August 1, 2017 and September 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 October 1, 2017 interest payment (the "September 1 Payment") default within thirty days.

### **Additional Defaults**

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

### **Extension of 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").

As you were also previously notified, 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 that the Oversight Board held its tenth public meeting on October 31, 2017, at the Puerto Rico College of Engineers and Purveyors in Gurabo, Puerto Rico, at which, among other things, the Oversight Board outlined the process and timetable that will govern the certification of revised fiscal and economic growth plans ("Fiscal Plans") for the

Commonwealth and six instrumentalities, including GDB. In developing revised Fiscal Plans, the Commonwealth and its instrumentalities are to consider, among other things, a five-year (rather than a ten-year) time-frame and an assessment of the impact of damages caused by Hurricane Maria. GDB's revised Fiscal Plan must be submitted to the Oversight Board by February 9, 2018, with February 23, 2018 as the deadline for the Oversight Board to provide revisions to GDB's revised Fiscal Plan and March 16, 2018 as the date for final certification of the revised Fiscal Plan by the Oversight Board. The Oversight Board also announced that it would conduct a series of "listening sessions" to receive input from creditors and other stakeholders as it prepares to review and certify the revised Fiscal Plans.

On October 30, 2017, the independent investigator (the "Independent Investigator") retained by the Oversight Board to carry out 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," issued its first interim report. Among other things, the first interim report details the Independent Investigator's efforts to date to collect data and materials relating to the issuance of debt securities by the Commonwealth and its instrumentalities over the last twenty years, to identify potential witnesses, subjects and targets, and to preserve evidence and claims. The Independent Investigator has indicated that it believes that a realistic time frame for completing its final investigative report is 200 days from the date of its retention (with delivery thereof on or about April 1, 2018), subject to ongoing due diligence and document recovery issues in light of Hurricanes Irma and Maria. A copy of the Independent Investigator's first interim report is available on the special website established by the Trustee's counsel described below.

On November 7, 2017, the Committee on Natural Resources of the U.S. House of Representatives (the "Committee") conducted an oversight hearing dedicated to considering the role of the Oversight Board in Puerto Rico's recovery from Hurricanes Irma and Maria and whether new powers need to be legislated to maximize the Oversight Board's response to the disasters. The Committee has scheduled a further oversight hearing for November 14, 2017 to consider "The Need for Transparent Financial Accountability in Territories' Disaster Recovery Efforts."

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 undertake a financial restructuring of GDB (the "Proposed Restructuring") on the terms and

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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.

conditions set forth in a Restructuring Term Sheet attached to the RSA (the "Term Sheet"). The parties to the RSA intend for the Proposed Restructuring to be effected through a Qualifying Modification pursuant to Title VI of PROMESA, which provides a mechanism for a territorial issuer and its creditors to effect a voluntary restructuring of the issuer's bond debt.

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.

The Oversight Board conditionally certified the RSA as a Qualifying Modification pursuant to Section 602(g) of PROMESA on July 14, 2017 and authorized GDB to pursue the Proposed Restructuring under Title VI of PROMESA. During a special legislative session in August 2017, the Puerto Rico Legislative Assembly passed legislation to implement the Proposed Restructuring.

As you were previously notified, on October 20, 2017, AAFAF and GDB entered into a First Amendment to the RSA (the "First Amendment"), extending by sixty (60) days certain milestones in the RSA, including the deadline to complete solicitation of the Qualifying Modification and the deadline for entry of an order approving the Qualifying Modification by the U.S. District Court for the District of Puerto Rico (the "U.S. District Court"). As established by the First Amendment, the current deadline to complete solicitation of the Qualifying Modification is December 20, 2017 and the current deadline for entry of an approval order by the District Court is January 9, 2018. Pursuant to its terms, the First Amendment shall become effective once executed by the Requisite Bondholders (as defined in the RSA). A copy of the First Amendment is available on the special website established by the Trustee's counsel described below.

### **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 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.

### **Status of Challenges by Certain Municipalities to the Proposed Restructuring**

As you were previously notified, on July 26, 2017, the Municipality of San Juan (“San Juan”) commenced a law suit against the Oversight Board, GDB and AAFAF in the U.S. District Court alleging, among other things, that the Proposed Restructuring fails to comply with the requirements of PROMESA and the U.S. Constitution (Case No. 3:17-cv-2009-LTS (D.P.R.)) (the “RSA Law Suit”).

As you were also previously notified, on September 27, 2017, the U.S. District Court issued an opinion and order denying San Juan’s motion for a preliminary injunction seeking to enjoin “solicit[ing], collect[ing] or tabulat[ing] votes in connection with the [RSA]; and 2) making public any ongoing, preliminary or final voting results on the RSA.” Among other things, the court found that San Juan failed to carry its burden to show that it is likely to succeed on the merits of its contentions that (1) “it has a legal right to set off its deposits at GDB against payment obligations on its loans from GDB as they come due” and (2) “it is a secured creditor entitled to be classified separately from unsecured bondholders for purposes of voting on the proposed RSA.”

On October 27, 2017, the U.S. District Court entered an order signed by Magistrate Judge Judith Dein granting the motions of seven (7) Commonwealth municipalities to intervene in the RSA Law Suit, subject to certain restrictions prohibiting duplication of argument, arguments beyond the scope of the allegations made in San Juan’s amended complaint and the filing of any document with the court without prior consultation with San Juan.

On October 30, 2017, the Municipality of Caguas withdrew its previously filed law suit in the U.S. District Court for 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.

### **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: November 16, 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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017



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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
745177FRI	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, 9/1/2017, 10/1/2017, 11/1/2017
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, 9/1/2017, 10/1/2017, 11/1/2017
745177EP6	2010B	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017, 11/1/2017
745177EUS	2010D	5.75%	8/1/2025	8/1/2016, 11/1/2016, 2/1/2017, 5/1/2017, 8/1/2017, 11/1/2017
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)