

**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 AUTHORIZATION GRANTED TO
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
TO RESTRUCTURE ITS DEBTS UNDER TITLE VI OF PROMESA**

**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 (the "Commonwealth"). The 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"). Capitalized terms used but not defined herein have the respective meanings given to them in the Indenture.

Events of Default

As set forth in the Trustee's prior notices, various Events of Default have occurred and are continuing with respect to the Notes. Payment on the Notes remains subject to a moratorium imposed by certain Executive Orders issued by the Governor of Puerto Rico beginning in April 2016.

PROMESA Title VI

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. On August 31, 2016, former President Obama appointed the seven (7) members of the Financial Oversight and Management Board (the “Oversight Board”) created by PROMESA.

Title VI of PROMESA provides a mechanism for a territorial issuer and its creditors to effect a voluntary restructuring of such issuer’s bond debt. Before a voluntary restructuring agreement can be submitted to holders for solicitation of acceptances or rejections thereof, it must be certified by the Oversight Board as a Qualifying Modification pursuant to Section 602(g)(2) of PROMESA. A Qualifying Modification may only become conclusive and have binding effect on all holders of the bonds being restructured thereby, whether or not such holders have given their consent thereto, upon the satisfaction of the conditions set forth in PROMESA Section 602(m), which include: approval by holders of at least 50% of the outstanding principal amount of the affected bonds in the relevant voting Pool (as such term is defined in PROMESA Title VI) and, of those actually voting, 66 2/3% of the aggregate outstanding principal amount of bonds in such voting Pool, delivery by the Oversight Board of certain certifications, and entry by the U.S. District Court for the territory of an order approving the Qualifying Modification as satisfying the requirements of PROMESA Section 601 (with the added condition in the case of bonds secured by a lien on property that any non-consenting bondholder retain the lien securing such holder’s bonds or receive value equivalent to the lesser of the bond or the collateral securing the bond).

Restructuring Support Agreement

As you were previously notified, on May 15, 2017, GDB, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”)¹ 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 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.

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

¹ 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.

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.

Oversight Board Authorizes GDB Title VI Restructuring

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.

Having received conditional certification of the RSA as a Qualifying Modification, GDB may now proceed to solicit acceptances to the Qualifying Modification pursuant to Section 602(h) of PROMESA. Pursuant to Title VI, GDB is authorized to retain an Information Agent reasonably acceptable to the Oversight Board to disseminate certain required information to holders in connection with the solicitation of votes to accept or reject the Qualifying Modification, including, among other things, descriptions of the issuer's economic and financial circumstances, its existing debts and the impact of the proposed Qualifying Modification on its public debt. As set forth in the Target Timeline attached as Ex. C to the RSA, GDB intends to complete the solicitation within approximately 70 days from the Oversight Board's certification of the Qualifying Modification.

The Trustee refers holders to the Oversight Board's July 14, 2017 general release announcing its conditional certification of the RSA as a Qualifying Modification for a summary of the general terms of the Proposed Restructuring and the proposed treatment of the claims of holders of the Notes to be effected by the Qualifying Modification. A copy of the July 14, 2017 general release is attached as an exhibit to this notice. The Oversight Board has also prepared a fact sheet and a set of FAQs relating to the RSA, both of which are attached as exhibits to this notice and are available on the special website established by the Trustee's counsel described below.

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, 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: July 20, 2017

* The Trustee makes no representation as to the accuracy of the CUSIP number provided and used herein.

Appendix A

CUSIP Numbers

745177CH6

745177CJ2

745177EN1

745177ET8

745177FB6

745177FC4

745177FD2

745177FE0

745177FF7

745177FH3

745177FK6

745177FQ3

745177FR1

745177FS9

745177EP6

745177EU5

745177EX9

745177FM2

745177FN0

**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>
---	-----------------------------	---------------------------------

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
JHSrsmith@wilmingtontrust.com



Financial Oversight and Management Board for Puerto Rico

PRESS RELEASE

For Immediate Release

OVERSIGHT BOARD AUTHORIZES GOVERNMENT DEVELOPMENT BANK TO RESTRUCTURE DEBTS UNDER TITLE VI OF PROMESA

Conditionally certifies GDB's Restructuring Support Agreement; participating creditors will be able to exchange existing claims against GDB for new bonds; on-island and off-island creditors to be treated equally

(San Juan, PR – July 14, 2017) – The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) created by Congress under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA” or the “Act”) today authorized the Government Development Bank for Puerto Rico (“GDB”) to pursue the restructuring of its debts under Title VI of PROMESA and conditionally certified GDB’s Restructuring Support Agreement (“RSA”) under the relevant provisions of Title VI.

The Oversight Board’s decision was in response to a Fiscal Agency and Financial Advisory Authority (“FAFAA”) request, dated June 30, 2017, in which the agency noted that the proposed restructuring, along with certain related settlements contemplated by the RSA, will result in an efficient wind down of GDB’s operations and a comprehensive financial restructuring of GDB’s obligations. FAFAA noted further that by proceeding under Title VI of PROMESA with the requisite creditor support, GDB believes that it will realize its objective of maximizing value for its stakeholders, while avoiding the delay, expense and uncertainty associated with litigation.

The RSA provides for the organized and consensual restructuring of a substantial portion of GDB’s liabilities, including GDB public bonds, deposit claims by municipalities and certain non-public entities and claims under certain GDB-issued letters of credit and

PO Box 192018 San Juan, PR 00919-2018; www.oversightboard.pr.gov; comments@oversightboard.pr.gov

guarantees (“Participating Bond Claims”). In exchange for releasing GDB from liability relating to these claims, the claim-holders will receive new bonds to be issued by a new entity (the “Issuer”).

In order to secure and service the new bonds, GDB will transfer to the Issuer its entire municipal loan portfolio, certain real estate assets available for sale, proceeds of certain public entity loans and a certain amount of cash.

The new bonds will consist of three tranches (or series), A, B or C, each with different terms—including different coupon rates and upfront exchange ratios—from which the claimants can choose. In general, the higher the exchange ratio between the value of the current claim and the value of the new bonds, the lower the coupon rate.

	Tranche A	Tranche B	Tranche C
Amortization + Collateral Priority	First	First	Second
Upfront Exchange Ratio	55%	60%	75%
Coupon (%)	7.50%	5.50%	3.50%
Maturity	1-Jul-40	1-Jul-40	1-Jul-40

Tranches A and B will be secured by a first lien on the assets to be transferred from GDB to the Issuer with respect to principal payments and will be entitled to amortizing principal payments from available cash on an equal basis. Tranche C will be secured by a second lien on the assets with respect to principal payments and, unless an event of default occurs, will not be entitled to any principal payments until Tranches A and B bonds are paid in full. Interest will be paid semi-annually on an equal basis on all three tranches to the extent of available cash from collections. Interest will be paid “in kind” if cash on the related semi-annual payment date is insufficient.

The RSA already has the support of 51% of the Participating Bond Claims. According to FAFAA, as of June 21, 394 individual parties, holding more than \$2.45 billion in claims against GDB, have signed the RSA, the vast majority of which constitute on-island creditors. Indeed, more than 300 on-island bondholders and an additional 50 on-island credit unions have entered into the RSA. The RSA is also supported by the Ad Hoc Group of GDB bondholders, which holds more than \$1 billion of GDB public bonds.

Under the RSA, Puerto Rico Municipality Depositors and on-island GDB bondholders are treated equally with off-island GDB bondholders, all as general unsecured creditors.

Puerto Rico residents and Puerto Rico institutions who are GDB creditors comprise 56% of GDB's creditors.

###

Contact:

José Luis Cedeño

787-400-9245

jcedeno@forculuspr.com

info@forculuspr.com

Board's Contact Information:

E-mail: comments@oversightboard.pr.gov

Website: www.oversightboard.pr.gov



Fact Sheet Regarding GDB Restructuring Support Agreement (“RSA”)

- The RSA provides for the organized and consensual restructuring through a Title VI Modification of a substantial portion of the GDB’s indebtedness, or the following “Participating Bond Claims”: (i) GDB public bonds, (ii) deposit claims by municipalities and certain non-public entities, and (iii) claims under certain letters of credit and guarantees issued by GDB.
 - Holders of the Participating Bond Claims will receive, in exchange for their release of GDB from liability relating to their claims, new bonds (the “New Bonds”) to be issued by a special purpose vehicle (the “Issuer”).
 - GDB will transfer the following assets (the “New Bond Collateral”) to the Issuer, which will secure the New Bonds and collections on which, if any, will service the New Bonds.
 - (i) GDB’s entire municipal loan portfolio,
 - (ii) certain real estate assets available for sale,
 - (iii) proceeds of certain public entity loans and
 - (iv) certain unrestricted excess cash.
 - The New Bonds will consist of three tranches of bonds with varied coupon rates and upfront exchange ratios.
 - Menu approach: Holders of Participating Bond Claims can choose any combination of Tranche A, B, or C.
 - Tranches A and B are secured by a first lien on Issuer’s assets with respect to principal payments and will be entitled to amortizing principal payments from available cash on a pari passu basis; Tranche C is secured by a second lien on Issuer’s assets with respect to principal payments and will not be entitled to any principal payments until the Tranche A and B bonds have been paid in full.
 - Interest paid semi-annually on a pari passu basis on all three Tranches to the extent of available cash from collections on the New Bond Collateral; interest will be paid as Payment in Kind¹ (“PIK”) if cash on the related semi-annual payment date is insufficient

	Tranche A	Tranche B	Tranche C
Amortization + Collateral Priority	First	First	Second
Upfront Exchange Ratio	55%	60%	75%
Coupon (%)	7.50%	5.50%	3.50%
Maturity	1-Jul-40	1-Jul-40	1-Jul-40

- The exchange offer contemplated under the RSA is the subject of the request for certification as a Qualifying Modification.
- The claims of certain Commonwealth-related depositors are excluded from, but their settlement is a condition to the effectiveness of, the Title VI Modification.
- GDB will be wound down in accordance with the certified GDB Fiscal Plan
 - After a transition period, qualified and independent asset manager will service the New Bond Collateral.
 - An independent collateral monitor will monitor the assets.

1. The Payment-in-Kind (“PIK”) mechanism would pay interest on each related payment date not covered by cash with additional bonds for each Tranche’s interest not covered on such payment date.

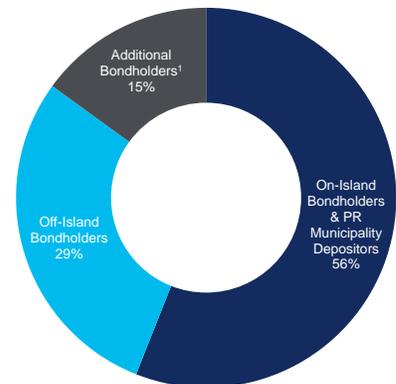


The foregoing description of the RSA and the transactions described therein does not purport to be complete and is qualified in its entirety by reference to the RSA..



Frequently Asked Questions on GDB RSA

1. Does the GDB Restructuring Support Agreement ("RSA") have support from the GDB's creditors?
 - Yes, the RSA is a consensual agreement that is supported by over 51% of GDB's Participating Bond Claims (as defined in the RSA)
2. How are the claims of local Puerto Rico creditor groups treated under the RSA?
 - The Puerto Rico Municipality Depositors and on-island GDB Bondholders are treated equally with off-island GDB Bondholders (i.e., all as general unsecured creditors)
 - Puerto Rico residents and Puerto Rico institutions who are GDB creditors comprise 56% of GDB's creditors
3. What will happen to GDB as a result of the transactions described in the RSA?
 - All existing financial liabilities of GDB will be extinguished (except for certain guarantee claims that are not subject to the Qualifying Modification and which will remain at GDB)
 - GDB to be wound down in an orderly fashion consistent with the Amended Fiscal Plan
4. Who will manage the collateral securing the New Bonds provided to GDB's existing creditors?
 - Initially, GDB, with a qualified and independent Asset Manager taking over management within 12 months of closing
 - The eventual use of a third party to manage the loan collateral was requested by the Participating Bond Claims holders during negotiations and is expected to ensure the quality of the management of the loan collateral in the long-term as GDB winds down its operations
 - A "Collateral Monitor" will be engaged to monitor the condition and performance of the New Bond Collateral and provide periodic certification reports



The foregoing description of the RSA and the transactions described therein does not purport to be complete and is qualified in its entirety by reference to the RSA.

1. The additional 15% of Bondholders are likely to be on-island owners but additional due diligence is required.