

**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 EVENT OF DEFAULT

**TO THE HOLDERS (THE "HOLDERS") OF
GOVERNMENT DEVELOPMENT BANK FOR PUERTO
RICO SENIOR NOTES, 2011 SERIES B (TAXABLE)
(THE "NOTES")**

CUSIP No.: 745177EX9*

Ladies and Gentlemen:

Wilmington Trust, N.A., is the successor trustee (the "Trustee") under the above-referenced 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.

Occurrence of an Event of Default

The above-referenced Notes were issued pursuant to Supplement Number Eleven to Indenture, dated May 26, 2011. The Maturity Date of the Notes was May 1, 2016.

As of May 2, 2016, GDB failed to pay the principal due on the Notes in the approximate amount of \$367,065,000. The failure by GDB to pay principal of the Notes at Maturity constituted an Event of Default under Section 501(3) of the Indenture.

The Puerto Rico Emergency Moratorium and Financial Rehabilitation Act

On or about April 6, 2016, the Commonwealth of Puerto Rico passed the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act (the "Act"). Among other things, the Act empowered the Governor Alejandro Garcia Padilla (the "Governor"), "by executive order, to declare the Bank or any government entity to be in a state of emergency and identify in such order enumerated obligations of the Bank or any government entity, as applicable, and if the executive order so provides, no payment on a covered obligation of such Bank or government

entity shall be made. . .during the emergency period¹ for such Bank or government entity, as applicable.” Act 21-2016, § 201(a). During the emergency period, the Governor may reprioritize certain services and expenses to higher payment priority than pursuant to the terms of the applicable contract. Act 21-2016, § 201(e).

The Act also restricts enforcement of remedies by creditors of the GDB. Specifically, section 201(b) of the Act provides that during the emergency period for any government entity, including the GDB,

[N]o act shall be done, and no action or proceeding, including issuance of process shall be commenced or continued in any court in any jurisdiction, which could result in (A) the recovery from, or judgment or enforcement against such government entity related to any covered obligation, or any funds, property, receivables or revenues thereof; (B) any order, judgment, lien, set-off, right of attachment or counterclaim related to any covered obligation against such government entity, or the indebtedness or liability evidenced thereby; or (C) the application of any funds, property, receivable or revenues of such government entity related to any covered obligation of such government entity, or the indebtedness or liability evidenced thereby.

Act 21-2016, § 201(b)(i).

The Act further provides that “no entity or person asserting claims or other rights (including a beneficial or assignable interest), no trustee, no collateral agent, no indenture trustee, no fiscal agent, no insurer, and no financial institution that receives or holds funds from such government entity may exercise any remedy, which remedy shall include any right of acceleration or termination, right of set-off, right of attachment or counterclaim related to any covered obligation of such government entity, under any contract or applicable law as a result of (A) non-payment of any obligation arising under or related to any covered obligation of such government entity. . . .” Act 21-2016, § 201(b)(ii).

On April 8, 2016, pursuant to his authority under section 201 of the Act, the Governor declared that GDB is in a state of emergency in Administrative Bulletin Num. OE-2016-010, *Executive Order Issued by the Governor of the Commonwealth of Puerto Rico, Hon. Alejandro J. Garcia Padilla, Pursuant to Sections 201 and 203 of Act No. 21-2016, Known as the “Puerto Rico Emergency Moratorium and Financial Rehabilitation Act,” to Declare an Emergency Period for Government Development Bank for Puerto Rico, Address the Disbursement of Deposits and Loans by Such Bank and Order the Implementation of Other Measures that are Reasonable and Necessary to Enable Such Bank to Continue Carrying Out Its Operations.* The

¹ “Emergency period” is defined by the Act as the period beginning on the date designated by the Governor in an executive order, as may be amended from time to time, issued pursuant to section 201(a) of this Act, with respect to such government entity and ending on the last day of the covered period.

April 8, 2016 Executive Order remains in full force and effect until the earlier of (i) June 30, 2016, or (ii) revocation of this Executive Order as provided by the Governor in writing.

On April 30, 2016, again pursuant to his authority under section 201 of the Act, the Governor issued an executive order declaring 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 due May 1, 2016 pursuant to the Indenture in Administrative Bulletin Num. OE-2016-014. The order also affirms the prohibition on the exercise of remedies described in section 201(b) of the Act and further states that no entity or person may exercise any remedy, including any right of accelerated payment that is related, directly or indirectly, with the declaration of a moratorium itself. Finally, the May 1, 2016 Executive Order ratified and confirmed in all aspects, without modification, the April 8, 2016 Executive Order.

Notice of Event of Default

On May 5, 2016, the Trustee gave written notice to GDB of the Event of Default (the "Notice of Default"). Through the Notice of Default, the Trustee further advised GDB that additional defaults and/or Events of Default may exist, and the Trustee specifically reserved its rights with respect thereto and all of its rights and remedies available to it under law and under the Indenture.

The Notice of Default was expressly made pursuant to, and is not to be construed as inconsistent with, the Moratorium. The Trustee will continue to evaluate and analyze all relevant information, as it becomes available. However, in light of the language of the Act, Administrative Bulletin Num. OE-2016-010 and Administrative Bulletin Num. OE-2016-014, the Trustee's pursuit of remedies available under the Indenture and applicable law may be limited during the Emergency Period.

Notice of Further Developments

The Trustee will continue to provide information concerning this matter to the holders as it becomes available.

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: May 5, 2016

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