



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico

PRESS RELEASE

CONTACT: BETSY NAZARIO

Tel. (787) 728-9200 • (787) 722-2525 exts. 15310 and 15311
Cel. (787) 960-2089 • betsy.nazario@bgfpr.com • www.gdbpr.com

May 1, 2016

**GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
ANNOUNCES FRAMEWORK OF INDICATIVE TERMS FOR RESTRUCTURING
WITH GDB AD HOC GROUP OF CREDITORS**

***Creditors Agree on 53% Haircut for Global Restructuring and Forbearance From
Exercising Remedies***

Announcement Follows Declaration of Moratorium by Governor on Obligations of GDB

GDB Will Pay Interest on May 1

San Juan, P.R. – The Government Development Bank for Puerto Rico (“GDB”) announced today that it has negotiated a framework of indicative terms for a restructuring of GDB bonds with a group of bondholders (known as the “Ad Hoc Group”) holding approximately \$900 million of GDB’s outstanding notes (the “Old Notes”). The framework includes an understanding with the Ad Hoc Group regarding key terms for a restructuring of a portion of GDB’s Old Notes held by the group and a path forward to a broader restructuring of all of GDB’s Old Notes. The agreement on key terms will provide a framework for GDB and the Ad Hoc Group to continue negotiations over the coming weeks with a view to enter into an agreement in principle that would memorialize in full the terms and conditions of the proposed restructuring. As part of the understanding reached today, the Ad Hoc Group and GDB intend to negotiate related terms over the next 30 days and forbear from pursuing legal action related to the May 1st debt service payment during such negotiations.

The agreed key terms contemplate a two-step restructuring of GDB’s obligations, in which all holders of the Old Notes (including the Ad Hoc Group) would first exchange (an “Interim Exchange”) their current holdings for new notes at GDB (the “Interim Notes”), to be followed by an exchange of such Interim Notes as part of a future global restructuring of the Island’s debt that includes GDB’s debt (the “Global Restructuring”). As part of the agreed key economic terms, creditors would agree to haircut of 43.75% of the face amount of their Old Notes in the first-step exchange. In addition, as part of the transaction, bondholders would agree to the proposed treatment for their notes, in a second step exchange as part of a Global Restructuring, that would result in an agreed haircut of 53% of the face amount of their Old Notes. The agreed framework of key economic and structural terms for the Interim Exchange and treatment in the Global Restructuring is set forth more fully in Annex A hereto. As noted in Annex A, many important terms of the transaction remain subject to further negotiation between the parties. In addition, the transaction would be subject to several conditions, which would need to be met over the coming months before the deal could proceed.

Importantly, the proposed terms of the Interim Exchange require 100% participation by all bondholders, including, in addition to the Ad Hoc Group, the state-chartered credit unions in Puerto Rico (or “*cooperativas*”) and other large institutional groups on island. As a result, the proposed transaction is being designed to take into account the varied interests of all its creditors, and GDB and the Commonwealth plan on continuing discussions with such groups over the coming weeks to ensure that any agreement in principle reflects their concerns in a debt restructuring. Similarly, as a comprehensive deal for all GDB stakeholders, the transaction contemplates providing a path forward to depositors, including by providing collateral for their deposits, as GDB works through its challenges.

Without federal restructuring legislation, including the tools to bind non-consenting creditors, the transaction would be highly unlikely to reach the required participation levels. In the absence of federal legislation, the GDB would not be able to complete the deal as proposed, and the Commonwealth as a whole would not be able to move towards a comprehensive restructuring of the island's debt.

The announcement of this framework of indicative terms with the Ad Hoc Group follows the declaration of the Governor of the Commonwealth of Puerto Rico of a moratorium on debt service obligations of GDB. Consistent with the terms of the Governor's executive order, GDB intends to pay interest on its bonds due May 1.

"The agreement on key terms with the GDB Ad Hoc Group is the result of many weeks of negotiations and discussions between us and the Ad Hoc Group. We appreciate the good faith and patience they have shown throughout this process and the work both they and Commonwealth officials have put into ensuring that the interests of all Commonwealth stakeholders are respected going forward. While we have many steps to go before we reach a full agreement on a deal and that deal can be consummated, this agreement represents a vital first step in the Commonwealth's path to economic recovery," said GDB President Melba Acosta Febo.

"To be very clear, this is but one piece in a complicated process that will require every Commonwealth creditor to participate. The time necessary to reach even an agreement on key terms with 1/4 of a single issuer's bondholders demonstrates that, in the absence of federal legislation that gives Puerto Rico the tools it needs, the island will be condemned to a quagmire of economic stagnation with no relief, for which both 3.5 million American citizens and our creditors will bear the consequences."

* * *

Not an Offering of Securities

This statement does not constitute, nor does it form part of, an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or an offer or recommendation to enter into any transaction. This presentation has been prepared for informational purposes only. Any offer or sale of any security may only be made pursuant to the relevant offering documents and binding transaction document and is subject to the detailed provisions therein, including risk considerations. Prospective purchasers should obtain a copy of the relevant offering materials prior to making any investment decisions.

Forward-Looking Statements

The information included in this statement contains certain forward-looking statements. These forward looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Commonwealth of Puerto Rico or its agencies or instrumentalities. All statements contained herein that are not clearly historical in nature are forward looking.

This statement is not a guarantee of future performance and involves certain risks, uncertainties, estimates, and assumptions by the Commonwealth and/or its agencies or instrumentalities that are difficult to predict. The economic and financial condition of the Commonwealth and its agencies or instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Commonwealth and/or its agencies or instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Commonwealth. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying the Commonwealth's or its agencies or instrumentalities' projections.