

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

No. 17 BK 3284-LTS

as representative of

PUERTO RICO SALES TAX FINANCING
CORPORATION (“COFINA”),

Debtor.

**OMNIBUS OBJECTION OF COFINA SENIOR BONDHOLDERS’ COALITION
TO FIRST DAY MOTIONS REGARDING BANK ACCOUNTS (Dkt. 60),
JOINT ADMINISTRATION (Dkt. 41), AND CASE MANAGEMENT (Dkt. 43)**

To the Honorable United States District Judge Laura Taylor Swain:

José F. Rodríguez Perelló and certain institutional holders of the COFINA senior bonds, including Aristeia Horizons, L.P.; Camino Cipres LLC; Camino Roble LLC; Canary SC Master Fund, L.P.; Canyon Balanced Master Fund, Ltd.; Canyon Value Realization Fund, L.P.; The Canyon Value Realization Master Fund, L.P.; Crescent 1, L.P.; CRS Master Fund, L.P.; Cyrus Opportunities Master Fund II, Ltd.; Cyrus Select Opportunities Master Fund, Ltd.; Cyrus Special Strategies Master Fund, L.P.; Decagon Holdings 1, L.L.C.; Decagon Holdings 2, L.L.C.; Decagon Holdings 3, L.L.C.; Decagon Holdings 4, L.L.C.; Decagon Holdings 5, L.L.C.; Decagon Holdings 6, L.L.C.; Decagon Holdings 7, L.L.C.; Decagon Holdings 8, L.L.C.; Decagon Holdings 9, L.L.C.; Decagon Holdings 10, L.L.C.; Merced Partners Limited Partnership; Merced Partners IV, L.P.; Merced Partners V, L.P.; Pandora Select Partners, L.P.; SB Special Situation Master Fund SPC, Segregated Portfolio D; Scoggin International Fund Ltd.; Scoggin Worldwide Fund Ltd.; Taconic

Master Fund 1.5 L.P.; Taconic Opportunity Master Fund L.P.; Tilden Park Investment Master Fund LP; Värde Credit Partners Master, L.P.; Värde Investment Partners, L.P.; Värde Investment Partners (Offshore) Master, L.P.; The Värde Skyway Master Fund, L.P.; Whitebox Asymmetric Partners, L.P.; Whitebox Institutional Partners, L.P.; Whitebox Multi-Strategy Partners, L.P.; and Whitebox Term Credit Fund I L.P. (collectively, the “COFINA Senior Bondholders’ Coalition”¹), creditors and parties in interest herein, respectfully submit this omnibus objection (the “Omnibus Objection”) to the following “first day” relief requested by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”)² on behalf of debtor COFINA:

Motion of Debtors Pursuant to Bankruptcy Code Section 105(a) for Entry of Order Confirming Authority of Banks to Continue Honoring Instructions and Payment Instruments with Respect to the Debtors’ Bank Accounts (Commonwealth Dkt. 60) (“Bank Accounts Motion”);

Motion of Debtors for Order (A) Imposing and Rendering Applicable Local Bankruptcy Rules to these Title III Cases, (B) Authorizing Establishment of Certain Notice, Case Management, and Administrative Procedures, and (C) Granting Related Relief (Commonwealth Dkt. 43) (“Case Management Motion”); and

Motion of Debtors Pursuant to PROMESA Section 304(g) and Bankruptcy Rule 1015(b) for Entry of Order Directing Joint Administration of Title III Cases and Granting Related Relief (Commonwealth Dkt. 41) (“Joint Administration Motion,” and collectively with the Bank Accounts Motion and the Case Management Motion, the “First Day Motions”).³

¹ The members of the COFINA Senior Bondholders’ Coalition are working together for purposes of protecting their common interests, including through joint representation by legal and financial advisors to minimize costs. Each member acts only for its own investments and there is no agreement among members to act in concert on any future matter. No member of the COFINA Senior Bondholders’ Coalition assumes any fiduciary duties to any other party in interest.

² The Oversight Board was created under the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), codified at 48 U.S.C. § 2101 *et seq.*

³ In addition to COFINA, the Oversight Board filed the First Day Motions on behalf of Title III debtor, the Commonwealth of Puerto Rico (the “Commonwealth”) in Case No. 17 BK 3283-LTS. The COFINA Senior Bondholders’ Coalition only objects to the First Day Motions to the extent they affect and/or are directed at COFINA and takes no position on the First Day Motions as applied to the Commonwealth.

I. RELEVANT BACKGROUND

1. COFINA is a sales tax securitization trust that was created by statute to provide much-needed funds to the Commonwealth of Puerto Rico while insulating creditors from the risk of the Commonwealth's general economic decline at a point of crisis of the Commonwealth's financial distress. COFINA issued its senior tranche of secured bonds (the "Senior Bonds") by a series of statutory authorizations commencing in 2007 and, in 2009, COFINA was authorized by an amendment to the statute to issue subordinated or junior secured bonds (the "Subordinate Bonds") for investors seeking a higher yield with corresponding risk. The total amount of bonds outstanding as of the filing of COFINA's Title III case was approximately \$17.6 billion (\$7.8 billion of Senior Bonds and \$9.8 billion of Subordinate Bonds). The members of the COFINA Senior Bondholders' Coalition own approximately one-third (or \$2.5 billion) of all outstanding Senior Bonds issued by COFINA and formed their coalition two years ago to protect their interests as holders of Senior Bonds without the influence of conflicts from cross-holdings of other Puerto Rico investments.

2. COFINA is a trust with no operations and no creditors other than its two classes of secured bondholders, a small interest-rate swap counterparty, and an auditor. *See* COFINA Petition, Dkt. 1, at 15 (listing its two *de minimis* unsecured creditors). The securitization trust is a common financing vehicle employed not only by Puerto Rico but by states and municipalities to reduce the cost of borrowing through a transparent and secure dedicated revenue stream that gives investors strong legal protections for repayment. The securitization structure protects bondholders in two distinct ways: first, COFINA is a legally separate entity from the Commonwealth with its own readily identifiable assets and liabilities; second, COFINA granted its bondholders a statutory lien on the dedicated revenue stream to provide bondholders with property rights protected by the

U.S. and Puerto Rico constitutions. In comparison with the Commonwealth's highest ranking unsecured debts⁴—so-called “full faith and credit” bonds—Puerto Rico consistently obtained higher investment ratings and was able to charge a lower rate of interest on its safer, secured, securitized COFINA bonds. Through the creation and use of the COFINA structure, often referred to as the Commonwealth's first “rescue” bond, Puerto Rico has saved billions of dollars over the course of a decade.

3. Part and parcel of COFINA's capital structure is its insulation and separateness from the Commonwealth's confusing array of assets and liabilities, as well as from the political risk of lending against the Commonwealth's fluctuating resources during times of fiscal strain. COFINA's bondholders have no recourse to the Commonwealth and accordingly do not compete with the Commonwealth's stakeholders for Commonwealth resources. Instead, COFINA bondholders were granted liens on specific property—the dedicated sales taxes—as the sole source for repayment. To induce investors to lend against the dedicated payment stream alone, the Commonwealth by statute and in the COFINA indenture (called the “Bond Resolution”) committed never to impair COFINA's property or interfere with COFINA's ability to service its debt obligations. Indeed, because of this binding non-impairment commitment, up until very recently, COFINA always had ample projected revenues to repay all of its secured bonds (both Senior and Subordinate) in full, with interest.

4. Earlier this year, the Commonwealth expanded the powers of a fiscal agency known as “AAFAF” to have exclusive authority over COFINA with respect to any possible debt restructuring. AAFAF formulated a consolidated fiscal plan for COFINA jointly with the Commonwealth, combining COFINA's assets and liabilities with those of the Commonwealth—

⁴ According to the Commonwealth's Amended List of Creditors Holding Unsecured Claims, there is in excess of \$12 billion of unsecured bonds issued by the Commonwealth. Commonwealth Dkt. 3, at 1.

in violation of the non-impairment commitment. The fiscal plan requires the confiscation of at least half of the dedicated sales tax for the Commonwealth's general fund in the first year, and more than a billion dollars over the ten-year period covered by the fiscal plan. AAFAF then presented its fiscal plan to the Oversight Board, which certified it the same day. The certified fiscal plan thereupon became binding on COFINA to comply with its terms, with the force of law. On April 29, 2017, the Commonwealth enacted Law 26, granting AAFAF broad authority to comply with and implement the certified fiscal plan, including by diverting a portion of COFINA's dedicated sales tax to the Commonwealth if certain conditions are satisfied. These acts constituted events of default under the Bond Resolution. *See* Notice of Event of Default of The Bank of New York, as Bond Trustee, dated May 4, 2017, a copy of which is attached hereto as Exhibit A.

5. Put simply, the *sine qua non* of COFINA (its separateness and inviolate property) has been severely undermined by the Commonwealth. On May 2, 2017, after the expiration of the automatic stay imposed by Title IV of PROMESA, the members of the COFINA Senior Bondholders' Coalition commenced an action against AAFAF, the governor, COFINA, and others for declaratory and injunctive relief to remedy the constitutional violations (*i.e.*, Contracts Clause and Takings Clause claims), the statutory violations, and the contractual violations of the non-impairment commitment and covenants contained in the Bond Resolution.⁵

6. Under Section 302 of PROMESA, COFINA (as a "territorial instrumentality") is a separate debtor in a Title III action.

7. With this background, the COFINA Senior Bondholders' Coalition respectfully wishes to be heard with respect to certain of the "first day" relief sought.

⁵ According to counsel for AAFAF, this action, *Rodriguez v. Rossello*, D.P.R. Case No. 3:17-cv-1566 (the "Unconstitutional Impairment Complaint"), has been stayed by the commencement of the Commonwealth's and COFINA's Title III cases, and the COFINA Senior Bondholders have consented to the transfer of the action to be heard in connection with these cases.

II. OBJECTIONS TO “FIRST DAY” RELIEF

A. BANK ACCOUNTS MOTION

8. The Oversight Board invokes section 105(a) of Title 11 of the United States Code (the “Bankruptcy Code”) as purported authority for obtaining, in essence, a “comfort order” that any bank doing business with COFINA may honor “authorized transfers, deposits, and withdrawals” without incurring any liability therefor. Bank Accounts Motion ¶ 11. For the reasons discussed below, this motion should be denied or, at a minimum, set for full briefing given the serious jurisdictional and statutory issues with the Bank Accounts Motion.

9. As a threshold matter, the Bank Accounts Motion should be denied for lack of subject matter jurisdiction. An essential element of the exercise of the judicial power of the United States is an actual case or controversy. U.S. Const. Art. III, § 2, cl.1; *e.g.*, *Sony BMG Music Ent. v. Tenenbaum*, 660 F.3d 487, 511 (1st Cir. 2011) (“Under Article III, judicial power is constrained to ‘real and substantial controvers[ies] admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.’” (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937))); *Banco y Agencia de Financiamiento de la Vivienda de Puerto Rico v. Fed. Deposit Ins. Corp.*, 681 F. Supp. 981, 985-86 (D.P.R. 1988) (“Moreover, ‘[n]o matter what type of case, federal courts are not empowered to give plaintiff advisory opinions where there is no actual controversy.’” (quoting *Shell Oil Co. v. Noel*, 608 F.2d 208, 211 (1st Cir. 1979))); *In re Trichilo*, 540 B.R. 547, 551 (Bankr. M.D. Pa. 2015) (“Federal courts, including bankruptcy courts, are limited to deciding only cases or controversies and should not render advisory opinions.”).

10. The Bank Accounts Motion is unsupported by any evidence of an actual, ripe controversy. To the contrary, the Oversight Board alleges “the Banks may be hesitant” to follow

instructions that concern them as potentially violating law. Parroting boilerplate text routinely seen in bankruptcy cases (*e.g.*, “any hesitance by the Banks to follow instructions may cause irreparable harm”) does not confer subject matter jurisdiction to enter an order releasing and exculpating unnamed financial institutions for following hypothetical, contingent, and yet-unwritten instructions that some unnamed person “authorizes.” *See Unalachtigo Band of Nanticoke Lenne Lenape Nation v. Corzine*, 606 F.3d 126, 130 (3d Cir. 2010) (vacating district court’s decision as an advisory opinion); *Banco*, 681 F. Supp. at 985-86.⁶

11. Even if the Court had subject matter jurisdiction, the Bank Accounts Motion should be denied because it misapplies section 105(a) of the Bankruptcy Code. This general “fill in the gaps” statute does not operate as an independent grant of generalized authority that is untethered to an applicable provision of the Bankruptcy Code. *New Engl. Dairies, Inc. v. Dairy Mart Convenience Stores, Inc. (In re Dairy Mart Convenience Stores, Inc.)*, 351 F.3d 86, 92 (2d Cir. 2003) (holding that section 105(a) “does not ‘authorize the bankruptcy courts to create substantive rights that are otherwise unavailable under applicable law, or constitute a roving commission to do equity’” (citation omitted)); *Bessette v. Avco Fin. Servs., Inc.*, 230 F.3d 439, 445 (1st Cir. 2000) (same). The Oversight Board concedes that section 363 of the Bankruptcy Code—the statutory basis for similar relief being granted in chapter 11 cases—does not apply to COFINA’s Title III case. Bank Accounts Motion ¶ 12. As such, the motion should be denied because section 105(a) does not operate merely “to further the purposes of the Code generally, or otherwise do the right thing.” *Dairy Mart*, 351 F.3d at 92.

⁶ Assuming there were a present case or controversy—which there is not—the motion should be denied for lack of ripeness on prudential grounds. *See, e.g., New York Civil Liberties Union v. Grandeau*, 528 F.3d 122, 131 (2d Cir. 2008) (Sotomayor, J.) (explaining that claim can be unripe on prudential grounds, even where it meets the Article III ripeness requirement, if the claim is not “sufficiently definite and clear to permit sound review”).

12. Nor is this objection purely academic. As described in greater detail in paragraphs 62-71 of the Unconstitutional Impairment Complaint, under Puerto Rico’s Act 2 and Act 26 of 2017, AAFAF was recently granted authority over COFINA’s bank accounts, which it could use to block payments by COFINA to the bond trustee and divert cash to the Commonwealth—in violation of the contract and property rights of the members of the COFINA Senior Bondholders’ Coalition. In the face of such serious constitutional concerns,⁷ this Court should decline the Oversight Board’s invitation to give “comfort” to banks that will be receiving instructions to make “transfers, deposits, or withdrawals” that violate COFINA’s enabling legislation and the Bond Resolution.

B. CASE MANAGEMENT MOTION

13. The Oversight Board seeks to establish case management procedures to apply in what is undoubtedly the novel Title III case for COFINA. The asserted basis for granting the relief is to make life easier for the Court and interested parties. Case Management Motion ¶¶ 14(a)-(h). In concept, the COFINA Senior Bondholders’ Coalition has no objection to such relief.

14. The objection, however, is to the specific proposed procedures, some of which have no application to COFINA’s Title III case even if they may be suitable for the Commonwealth’s case—as to which the COFINA Senior Bondholders’ Coalition takes no position. Exhibit 1 to the Case Management Motion details the proposed manner of scheduling motions. Section III.D. seeks to impose a requirement on parties in interest seeking emergency or expedited relief to contact counsel for the statutory committee of unsecured creditors (if any). First, COFINA’s case

⁷ The First Circuit Court of Appeals questioned the constitutionality of the Commonwealth’s prior interference with the rights of other secured creditors: “[T]he Commonwealth [believes it] could expend every penny of the [bondholders’] collateral, leaving the debt entirely unsecured. . . . [W]e doubt the constitutionality of such a result” *Altair Global Credit Opportunities Fund v. Garcia-Padilla*, 845 F.3d 505, 512 (1st Cir. 2017).

should not be commingled with the Commonwealth's. COFINA has two classes of secured bonds and no other creditors or parties in interest, with the exception of a small swap counterparty and auditor with an unpaid bill. If a statutory committee of unsecured creditors is appointed in the Commonwealth's case, it would not even be a party in interest in COFINA's case. There is no basis to require creditors of COFINA to notify or consult with creditors of another debtor over expedited or emergency relief that may be necessary.

15. Second, the proposed procedures seek to impose different rules for the Debtors and the statutory creditors' committee than for other parties in interest with respect to deadlines. Section III.J. provides that all final reply papers filed in respect of matters coming before the Court must be filed at least two (2) calendar days before the applicable hearing, except that the Debtors and statutory creditors' committee could file their respective papers by 4:00 p.m. the day before such hearing. Nothing in the Bankruptcy Code or Bankruptcy Rules supports such disparity. The same rules should apply to all parties in interest, including the Commonwealth, COFINA, the Oversight Board, and creditors. Deadlines for briefs are for the Court's benefit and the non-filing parties, not for the convenience of the filing party. As such, papers should be filed so as to afford a reasonable amount of time to review them. Neither the Court nor parties in interest should be scrambling to review papers likely filed when people are traveling and preparing for important proceedings.

16. Third, Section III.Q. of the proposed procedures improperly seeks to modify section 362(e) of the Bankruptcy Code by allowing a Stay Relief Motion to be heard more than 30 days after the motion is filed. A critical protection—especially for secured creditors—is the ability to seek relief from the automatic stay and to have the matter heard no later than 30 days after the request. The Court retains the power to order the stay to continue in effect pending a final hearing

based on the facts and circumstances particular to each motion. Based on the Oversight Board's certified fiscal plan, and Puerto Rico's Act 26, there is a substantial likelihood that AAFAF may attempt to divert COFINA's property in violation of the rights of the members of the COFINA Senior Bondholders' Coalition as soon as July 1, 2017—the first day of Puerto Rico's fiscal year and the date on which COFINA's dedicated sales tax must begin again to be transferred exclusively to COFINA. Given that no omnibus hearings have yet been scheduled, it is unclear whether a motion to lift the stay filed by June 1 may even be heard by July 1. Section 362(e) provides precisely the protection needed in such situations to ensure at least an interim hearing is held so that the Court can be apprised of important property rights that may be in jeopardy before it is too late.

C. JOINT ADMINISTRATION MOTION

17. The Oversight Board seeks to combine the dockets and hearings for COFINA's Title III case with the Commonwealth's Title III case. The Joint Administration Motion makes clear that it seeks only procedural, not substantive, consolidation. Joint Administration Motion ¶ 16; *see also* PROMESA § 304(f) (“nothing in this title shall be construed as authorizing substantive consolidation of the cases of affiliated debtors”). Thus far, only two Title III cases have been filed, but there likely will be subsequent cases filed to deal with the various other bond issuers. Attached hereto as Exhibit B is a simplified diagram showing the numerous distinct bond issuers of Puerto Rico and their respective capital structures.

18. The COFINA Senior Bondholders' Coalition has concerns about the basis for the relief with respect to COFINA's Title III case. While the Oversight Board asserts that parties in interest “will benefit from the cost reductions and avoidance of confusion of potential misfilings in erroneous case dockets,” granting the relief could confuse creditors of the Commonwealth into

thinking they are parties in interest with respect to COFINA. Thus, rather than insulating COFINA's separate securitized trust structure from the Commonwealth's muddled capital structure and its thousands of parties in interest—as Puerto Rico's law requires—joint administration may add to the confusion and increase costs with respect to COFINA's creditors. As creditors who are not to be repaid from the Commonwealth's assets, and instead are to be repaid solely from a dedicated revenue stream, COFINA's creditors will nevertheless be forced to participate in omnibus hearings that have no bearing on COFINA's assets and liabilities purely to guard against the use of imprecise terms (like the mention of the statutory creditors' committee, discussed above) in motions and proposed orders. At a minimum, in the event joint administration is granted, the Oversight Board and other parties should be required to make clear on the face of any pleadings which debtor's property is being impacted by the proposed relief.

III. CONCLUSION

19. For the foregoing reasons, the COFINA Senior Bondholders' Coalition respectfully requests—with respect to the COFINA Title III case—that the Court (i) deny the Bank Accounts Motion or allow for full briefing on the motion; (ii) modify the proposed procedures requested by the Case Management Motion; and (iii) protect the interests of COFINA and its separate creditors in ruling on the Joint Administration Motion.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, May 15, 2017.

REICHARD & ESCALERA

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By :

/s/ Rafael Escalera

Rafael Escalera

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New York, New York 10010-1603

Co-Counsel for the COFINA Senior Bondholders' Coalition

CERTIFICATE OF SERVICE

I hereby certify that on May 15, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to counsel for the parties of record.

/s/ Fernando Van Derdys

USDC-PR 201913

EXHIBIT A



BNY MELLON

The Bank of New York Mellon

May 4, 2017

By UPS Overnight Mail and Facsimile

Puerto Rico Sales Tax Financing Corporation
c/o Government Development Bank for Puerto Rico
Roberto Sanchez Vilella Government Center
De Diego Avenue, Stop 22
Santurce, Puerto Rico 00940
Attention: Executive Director
Facsimile: (787) 728-0975

Puerto Rico Sales Tax Financing Corporation
PO Box 42001
San Juan, PR 00940-2001
Attention: Executive Director

Re: Notice of Default under Amended and Restated Sales Tax Bond Resolution (as amended and supplemented from time to time, the "Resolution"), adopted on July 13, 2007, by the Puerto Rico Sales Tax Financing Corporation ("COFINA")

Ladies and Gentlemen:

The Bank of New York Mellon (the "Trustee") is the trustee under the Resolution, pursuant to which COFINA issued certain senior and subordinate sales tax revenue bonds (the "Bonds"). Capitalized terms used but not defined in this notice have the meanings given in the Resolution.

On April 29, 2017, the Governor of the Commonwealth of Puerto Rico (the "Commonwealth") signed into law Act No. 24 (SB 432/HB 938) (the "Fiscal Plan Compliance Law"). For the reasons set forth herein, the Commonwealth's enactment of the Fiscal Plan Compliance Law and COFINA's failure to take any action to defend, preserve, and protect its ownership and control of the Pledged Property in connection with the enactment of the Fiscal Plan Compliance Law constitute defaults under sections 705 and 706 of the Resolution.

Pursuant to section 706 of the Resolution, the Commonwealth may not limit or restrict the rights that are granted by COFINA's enabling legislation or COFINA's ability to meet its obligations to Bondowners. The Fiscal Plan Compliance Law interferes with COFINA's rights and undermines the pledge of the Pledged Property to the Trustee. Chapter 6 of the Fiscal Plan Compliance Law diverts the Pledged Property to the Commonwealth's general fund in direct violation of COFINA's enabling legislation. Chapter 4 of the Fiscal Plan Compliance Law authorizes the Governor, under certain conditions, to use the Pledged Property to cover deficiencies in the Commonwealth's cash flow or to comply with the Commonwealth's Fiscal Plan. As a result of these limitations and restrictions on COFINA's rights and ability to meet its

obligations to Bondowners, the Commonwealth's enactment of the Fiscal Plan Compliance Law constitutes a default under section 706 of the Resolution.¹

Pursuant to section 705 of the Resolution, COFINA agreed to defend, preserve, and protect the pledge of the Pledged Property and all rights of the Trustee, the Beneficiaries, and the Bondowners under the Resolution against all claims and demands. COFINA's failure to take any action to defend, preserve, and protect its ownership and control of the Pledged Property and the pledge of the Pledged Property to the Trustee against the Commonwealth's claim upon the Pledged Property asserted in the Fiscal Plan Compliance Law constitutes a default under section 705 of the Resolution.

On May 1, 2016, Ambac Assurance Corporation ("Ambac") served notice ("Ambac's Default Notice") to COFINA of defaults under sections 705 and 706 of the Resolution and demanded that the defaults be remedied. Pursuant to section 1101.1(ii) of the Resolution, these defaults will become Events of Default if they are not remedied within 30 days of the date of Ambac's Default Notice.

Additionally, on May 1, 2016, the Trustee demanded that by May 3, 2017, COFINA explain in detail the actions that COFINA will take to defend, preserve, and protect the pledge of the Pledged Property against the Commonwealth's claim to the Pledged Property under the Fiscal Plan Compliance Law and any effort by the Governor to utilize the Pledged Property pursuant to the Fiscal Plan Compliance Law. The Trustee also demanded that COFINA respond to the Trustee's April 21, 2017, demand for (i) indemnification in connection with the litigation captioned, *Whitebox Multi-Strategy Partners, L.P., et al. v. Bank of New York Mellon Corporation*, Index No. 651969/2017, pending in the Supreme Court of the State of New York, and (ii) further assurances that COFINA will comply with its obligations under section 705 of the Resolution. COFINA has not responded to the Trustee's demands for further assurances. Such failures constitute additional defaults under section 704 of the Resolution, and the Trustee demands that they be remedied. Pursuant to section 1101.1(ii) of the Resolution, these defaults will become additional Events of Default if they are not remedied within 30 days of this notice.

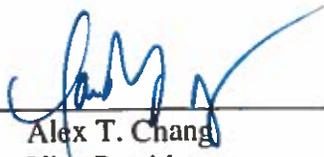
The Trustee reserves all of its rights and remedies under the Resolution and related documents, all of which remain in full force and effect in accordance with their original terms. Nothing herein shall constitute a waiver, modification, or release of any breach, default, or Event of Default, whether existing or hereafter arising, or any of the Trustee's right and remedies relating thereto.

Questions concerning this notice may be directed to the Trustee by contacting Mr. Alex Chang at The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, by email at alex.chang@bnymellon.com, or by telephone at (212) 815-2816.

¹ For the avoidance of doubt, this notice does not assert any right or claim against the Commonwealth.

THE BANK OF NEW YORK MELLON,
as trustee

By: _____


Alex T. Chang
Vice President

cc: Eric A. Schaffer (by email only to eschaffer@reedsmith.com)
Lee Sepulvado (by email only to lsepulvado@smlawpr.com)
Robert N.H. Christmas (by email only to rchristmas@nixonpeabody.com)
Chris Mason (by email only to cmason@nixonpeabody.com)
Susheel Kirpalani (by email only to susheelkirpalani@quinnemanuel.com)
Daniel A. Fliman (by email only to dfliman@kasowitz.com)
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Thomas Moers Mayer (by email only to tmayer@kramerlevin.com)
William P. Smith (by email only to wsmith@mwe.com)
John K. Cunningham (by email only to jcunningham@whitecase.com)
Dennis F. Dunne (by email only to ddunne@milbank.com)
Marcia L. Goldstein (by email only to marcia.goldstein@weil.com)
Mark C. Ellenberg (by email only to mark.ellenberg@cwt.com)
Martin A. Sosland (by email only to martin.sosland@butlersnow.com)
Martin J. Bienenstock (by email only to mbienenstock@proskauer.com)

Ambac Assurance Corporation
One State Street Plaza
15th Floor
New York, NY 10004
Attention: Surveillance Department

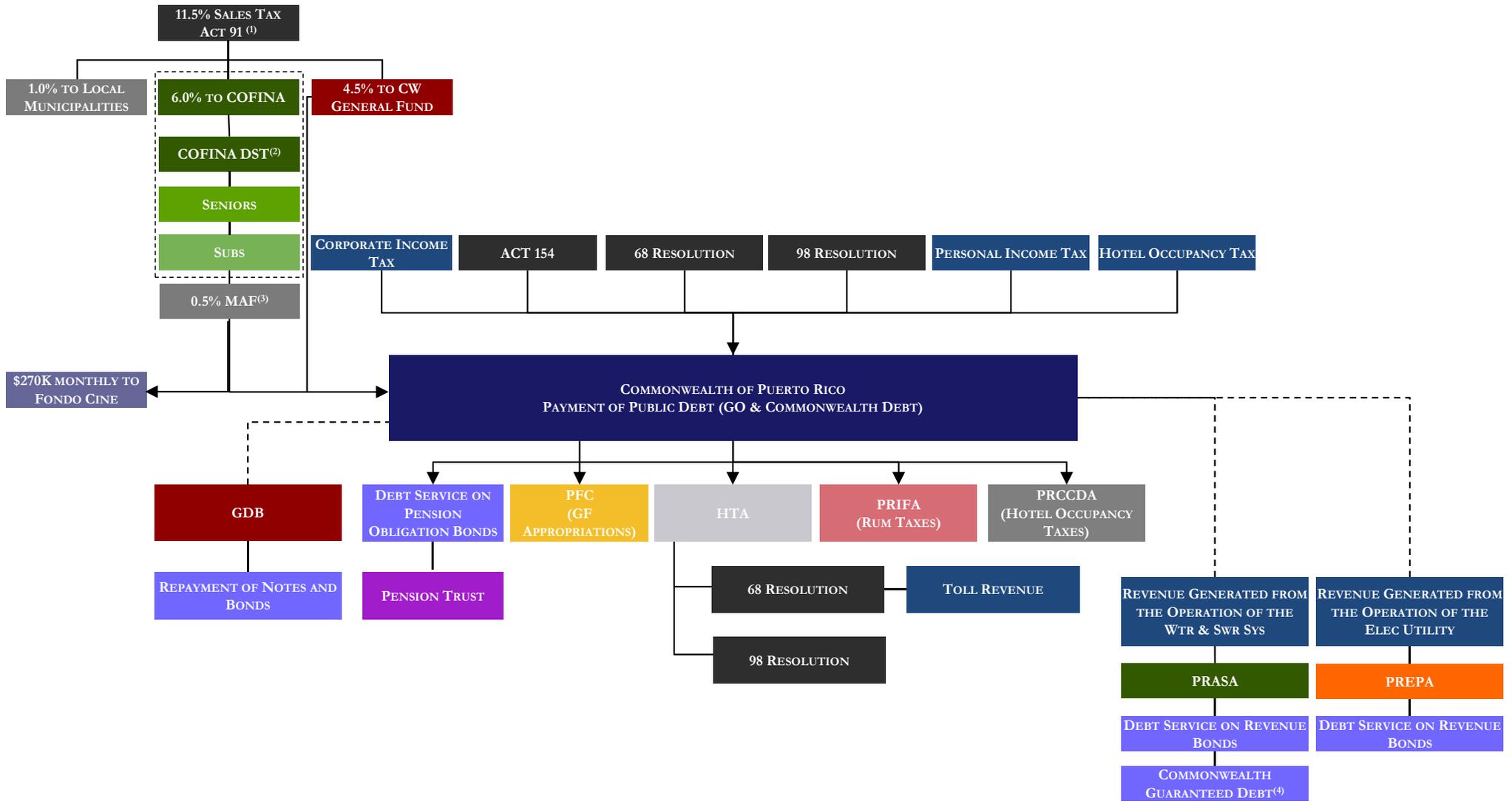
Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
Attention: Risk Management

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Surveillance

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019,
Attention: Managing Director –
Surveillance

EXHIBIT B

PUERTO RICO BOND ISSUERS AND CAPITAL STRUCTURE



(1) COFINA is an independent governmental instrumentality of the Commonwealth of Puerto Rico created under Act No. 91 of 2006 of the Legislative Assembly of the Commonwealth of Puerto Rico, as amended by Act No. 291 of 2006, Act No. 56 of 2007, Act No. 1 of 2009, Act No. 7 of 2009, Act No. 18 of 2009 and Act No. 72 of 2015 (collectively, "Act 91").
 (2) Dedicated Sales Tax ("DST") is the higher of the Pledged Sales Tax Base Amount or 2.75% of sales and use tax collections. Excess proceeds up to the DST amount turned over to the General Fund; ratable split thereafter.
 (3) Reflects payment sequence per Act 18-2014.
 (4) First priority obligation of the Commonwealth.