

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

LEX CLAIMS, LLC, et al.,

Plaintiffs,

v.

THE COMMONWEALTH OF PUERTO RICO, et al.,

Defendants.

Case No. 3:16-cv-02374 (FAB)

**INTERVENOR-DEFENDANT AMBAC ASSURANCE CORPORATION'S ANSWER
AND AFFIRMATIVE DEFENSES TO SECOND AMENDED COMPLAINT**

Intervenor-Defendant Ambac Assurance Corporation ("Ambac"), by and through its attorneys, Ferraiuoli LLC and Milbank, Tweed, Hadley & McCloy LLP, hereby answers and responds to Plaintiffs' Second Amended Complaint ("SAC"). Any allegation in the SAC that is not expressly admitted is denied.

1. Ambac states that Paragraph 1 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required. Ambac respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

2. Ambac states that Paragraph 2 sets forth legal conclusions to which no response is required, and denies all allegations in Paragraph 2 that relate to COFINA, any bonds issued by COFINA, any holders of bonds issues by COFINA, the Puerto Rico's sales and use tax ("SUT") revenues allocated to COFINA, and COFINA's right to such SUT revenues. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 2.

3. Ambac states that Paragraph 3 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

4. Ambac states that Paragraph 4 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 207 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

5. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 5 concerning Plaintiffs' beneficial ownership of bonds, and otherwise states that Paragraph 5 sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to Sections 204 and 207 of PROMESA and Article VI of the Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents.

6. Ambac states that Paragraph 6 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 6. Ambac respectfully refers the Court to Article VI, Section 8 of the Puerto Rico Constitution and Exhibit A to the SAC, which speak for themselves, regarding their complete and accurate contents.

7. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 7, and respectfully refers the Court to Exhibits B and C to the SAC, which speak for themselves, regarding their complete and accurate contents.

8. Ambac states that Paragraph 8 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204(c)(3) of PROMESA, which speaks for itself, regarding its complete and accurate contents.

9. Ambac admits that the Executive Order was issued, but states that the remainder of Paragraph 9 sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to Exhibits D and E to the SAC, which speak for themselves, regarding their complete and accurate contents.

10. Ambac admits that Puerto Rico enacted a budget for Fiscal Year 2017, but states that the remainder of Paragraph 10 sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Fiscal Year 2017 budget, which speaks for itself, regarding its complete and accurate contents.

11. Ambac states that Paragraph 11 sets forth legal conclusions to which no response is required, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 11.

12. Ambac states that Paragraph 12 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Sections 204(c)(3) and 207 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

13. Ambac states that Paragraph 13 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required. Ambac respectfully refers the Court to Section 303 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

14. Ambac states that Paragraph 14 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Sections 5(19), 5(20), and 303(3) of PROMESA, which speak for themselves, regarding their complete and accurate contents

15. Ambac admits the allegation in the second sentence of Paragraph 15 that bonds issued by COFINA are not covered by any pledge of the Commonwealth's good faith, credit, or taxing power, denies the third sentence of Paragraph 15, and otherwise states that Paragraph 15 sets forth legal conclusions to which no response is required.

16. Ambac states that Paragraph 16 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 16.

17. Ambac admits that Governor Padilla issued the Executive Order, but lacks knowledge or information sufficient to form a belief as to the truth of when the Executive Order was issued. Ambac states that the remaining allegations set forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 17. Ambac respectfully refers the Court to the Executive Order, which speaks for itself, regarding its complete and accurate contents.

18. Ambac denies the allegations of Paragraph 18.

19. Ambac states that Paragraph 19 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 19. Ambac respectfully refers the Court to the Puerto Rico Constitution and cited laws, which speak for themselves, regarding their complete and accurate contents.

20. Ambac states that Paragraph 20 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 20. Ambac respectfully refers the Court to Section 303(3) of PROMESA, the Executive Order, and Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents.

21. Ambac states that Paragraph 21 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303(1) of PROMESA, which speaks for itself, regarding its complete and accurate contents.

22. Paragraph 22 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required.

23. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 23.

24. Ambac admits the allegations of Paragraph 24.

25. Ambac admits the allegations of Paragraph 25, except for Footnote 1, which sets forth legal conclusions to which no response is required.

26. Ambac admits the allegations of Paragraph 26.

27. Ambac admits the allegations of the first sentence of Paragraph 27, but states that the remainder of Paragraph 27 sets forth legal conclusions to which no response is required.

28. Ambac denies the allegations of Paragraph 28.

29. Ambac admits the allegations of Paragraph 29.

30. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 30.

31. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of Paragraph 31, but admits the allegations in the second sentence of Paragraph 31.

32. Ambac denies the allegations of Paragraph 32.

33. Ambac states that Paragraph 33 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required. Ambac respectfully refers the Court to PROMESA, the United States and Puerto Rico Constitutions, and the U.S. Code, which speak for themselves, regarding their complete and accurate contents.

34. Ambac states that Paragraph 34 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 106(a) of PROMESA, which speaks for itself, regarding its complete and accurate contents.

35. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 35.

36. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 36.

37. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 37.

38. Ambac admits that Congress passed PROMESA and that PROMESA was signed into law on June 30, 2016. Ambac states that Paragraph 38 constitutes a characterization of the action, and otherwise sets forth legal conclusions, to which no response is required, and respectfully refers the Court to PROMESA and the Bankruptcy Code, which speak for themselves, regarding their complete and accurate contents.

39. Ambac states that Paragraph 39 sets forth legal conclusions to which no response is required, and respectfully refers the Court to PROMESA, which speaks for itself, regarding its complete and accurate contents.

40. Ambac admits the allegations in the first three sentences of Paragraph 40, but states that the fourth sentence of Paragraph 40 sets forth legal conclusions to which no response is required. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the fifth and six sentences of Paragraph 40.

41. Ambac states that Paragraph 41 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

42. Ambac states that Paragraph 42 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

43. Ambac states that Paragraph 43 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

44. Ambac states that Paragraph 44 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

45. Ambac states that Paragraph 45 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

46. Ambac states that Paragraph 46 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

47. Ambac states that Paragraph 47 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 301 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

48. Ambac states that Paragraph 48 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required.

49. Ambac states that Paragraph 49 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

50. Ambac states that Paragraph 50 sets forth legal conclusions to which no response is required, and respectfully refers the Court to PROMESA and Article VI of the Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents.

51. Ambac states that Paragraph 51 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

52. Ambac states that Paragraph 52 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 207 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

53. Ambac states that Paragraph 53 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

54. Ambac states that Paragraph 54 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

55. Ambac states that Paragraph 55 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303 of PROMESA and the Executive Order, which speak for themselves, regarding their complete and accurate contents.

56. Ambac states that Paragraph 56 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

57. Ambac states that Paragraph 57 sets forth legal conclusions to which no response is required, and respectfully refers the Court to PROMESA and the Bankruptcy Code, which speak for themselves, regarding their complete and accurate contents

58. Ambac states that Paragraph 58 sets forth legal conclusions to which no response is required, and respectfully refers the Court to PROMESA, which speaks for itself, regarding its complete and accurate contents.

59. Ambac states that Paragraph 59 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents

60. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first and second sentences of Paragraph 60. Ambac states that the third sentence of Paragraph 60 sets forth legal conclusions to which no response is required.

61. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first, second, and third sentences of Paragraph 61. Ambac states that the first and fourth sentences of Paragraph 60 set forth legal conclusions to which no response is required.

62. Ambac states that the first sentence of Paragraph 62 sets forth legal conclusions to which no response is required, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 62.

63. Ambac states that Paragraph 63 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 63. Ambac respectfully refers the Court to the Puerto Rico Constitution and the referenced Official Statement, which speak for themselves, regarding their complete and accurate contents.

64. Ambac states that Paragraph 64 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Public Law 600, the cited Message from the President of the United States, and the Joint Resolution, which speak for themselves, regarding their complete and accurate contents.

65. Ambac states that Paragraph 65 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 65. Ambac respectfully refers the Court to the Puerto Rico Constitution and Pub. L. No. 87-121, 75 Stat. 245 (1961), which speak for themselves, regarding their complete and accurate contents.

66. Ambac states that Paragraph 65 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 66. Ambac respectfully refers the

Court to P.R. Laws Ann. tit. 23, § 104(c) and PROMESA, which speak for themselves, regarding their complete and accurate contents.

67. Ambac states that Paragraph 67 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

68. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first and second sentences of Paragraph 68, and respectfully refers the Court to Exhibits B and C to the SAC, which speak for themselves, regarding their complete and accurate contents. Ambac states that the first and third sentences of Paragraph 68 set forth legal conclusions to which no response is required.

69. Ambac states that Paragraph 69 sets forth legal conclusions to which no response is required.

70. Ambac states that Paragraph 70 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 70. Ambac respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

71. Ambac states that Paragraph 71 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

72. Ambac states that Paragraph 72 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

73. Ambac states that Paragraph 73 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 73. Ambac respectfully refers the

Court to the Puerto Rico Constitution, PROMESA, and P.R. Laws Ann. tit. 23, § 104(c), which speak for themselves, regarding their complete and accurate contents.

74. Ambac states that the first and fourth sentences of Paragraph 74 set forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the second and third sentences of Paragraph 74, and to the extent they set forth legal conclusions, no response is required.

75. Ambac admits that Governor Padilla issued the Executive Order, but lacks knowledge or information sufficient to form a belief as to the truth of when the Executive Order was issued. Ambac respectfully refers the Court to such Executive Order, which speaks for itself, regarding its complete and accurate contents. Ambac states that the remainder of Paragraph 75 sets forth legal conclusions to which no response is required.

76. Ambac states that Paragraph 76 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act and Executive Order, which speak for themselves, regarding their complete and accurate contents.

77. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations concerning the existence of money available to Puerto Rico on July 1, 2016, and the purposes for which such money could or should have been used. Ambac respectfully refers the Court to Exhibit D, which speaks for itself, regarding its complete and accurate contents, and states that the remainder of Paragraph 77 sets forth legal conclusions to which no response is required.

78. Ambac states that the fifth sentence of Paragraph 78 sets forth legal conclusions to which no response is required. Ambac lacks knowledge or information sufficient to form a

belief as to the truth of the remaining allegations of Paragraph 78, and respectfully refers the Court to Exhibits D and F to the SAC, which speak for themselves, regarding their complete and accurate contents.

79. Ambac states that the third and fourth sentences of Paragraph 79 set forth legal conclusions to which no response is required, and that Ambac lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 79. Ambac respectfully refers the Court to the Puerto Rico Constitution, P.R. Laws Ann. tit. 23, § 104(c), and Section 204 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

80. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 80, and respectfully refers the Court to the Fiscal Year 2016 budget and P.R. Laws Ann. tit. 23, § 104(d)(1), which speak for themselves, regarding their complete and accurate contents.

81. Ambac states that Paragraph 81 sets forth legal conclusions to which no response is required. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence of Paragraph 81, and respectfully refers the Court to Section 204(c)(3) of PROMESA and the Fiscal Year 2017 budget, which speak for themselves, regarding their complete and accurate contents.

82. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 82, except to the extent Paragraph 82 sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Fiscal Year 2017 Budget, which speaks for itself, regarding its complete and accurate contents.

83. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 83, except to the extent Paragraph 83 sets forth legal conclusions

to which no response is required. Ambac respectfully refers the Court to the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

84. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 84, and respectfully refers the Court to the Fiscal Year 2017 budget, which speaks for itself, regarding its complete and accurate contents.

85. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of the first sentence of Paragraph 85, and states that the remaining allegations set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Puerto Rico Constitution and laws, which speak for themselves, regarding their complete and accurate contents.

86. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 86, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Fiscal Year 2017 budget, PROMESA, the Puerto Rico Constitution and related laws of Puerto Rico, which speak for themselves, regarding their complete and accurate contents.

87. Ambac states that Paragraph 87 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution, PROMESA, and Act No. 74-2016, which speak for themselves, regarding their complete and accurate contents.

88. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of the Paragraph 88, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Puerto Rico Constitution and Act No. 74-2016, which speak for themselves, regarding their complete and accurate contents.

89. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of the Paragraph 89. Ambac respectfully refers the Court to Act No. 74-2016, which speaks for itself, regarding its complete and accurate contents.

90. Ambac states that Paragraph 90 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution, PROMESA, and Act No. 74-2016, which speak for themselves, regarding their complete and accurate contents.

91. Ambac admits that the Governor promulgated the Executive Order, but otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 91. Ambac respectfully refers the Court to Exhibit E, which speaks for itself, regarding its complete and accurate contents.

92. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of Paragraph 92, and respectfully refers the Court to Exhibit C, which speaks for itself, regarding its complete and accurate contents. Ambac denies the allegations in the second sentence of Paragraph 92, and respectfully refers the Court to the Executive Order, which speaks for itself, regarding its complete and accurate contents. Ambac admits the allegations in the third sentence of Paragraph 92. Ambac denies the fourth sentence of Paragraph 92. Ambac states that the fifth sentence of Paragraph 92 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of the fifth sentence of Paragraph 92.

93. Ambac states that Paragraph 93 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the cited Puerto Rico laws, which speak for themselves, regarding their complete and accurate contents.

94. Ambac denies the allegations of Paragraph 94.

95. Ambac states that Paragraph 95 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 95. Ambac respectfully refers the Court to the Puerto Rico Constitution and Act No. 56-2007, which speak for themselves, regarding their complete and accurate contents.

96. Ambac states that Paragraph 96 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 96. Ambac lacks knowledge or information sufficient to form a belief as to the total amount of COFINA debt issued or currently outstanding.

97. Ambac denies the allegations in the first sentence of Paragraph 97. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 97, and otherwise denies the allegations of Paragraph 97. Ambac respectfully refers the Court to the cited Official Statement, which speaks for itself, regarding its complete and accurate contents.

98. Ambac states that Paragraph 98 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 98. Ambac respectfully refers the Court to Article VI of the Puerto Rico Constitution and Act No. 56-2007, which speak for themselves, regarding their complete and accurate contents.

99. Ambac states that Paragraph 99 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 99.

100. Ambac states that Paragraph 100, including Footnotes 2-4, sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 100. Ambac respectfully refers the Court to the cited Puerto Rico laws, Official Statement, and Distribution of Monthly Collection, which speak for themselves, regarding their complete and accurate contents.

101. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 101, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the cited Puerto Rico laws, which speak for themselves, regarding their complete and accurate contents.

102. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 102, and otherwise denies the allegations of Paragraph 102, except to the extent that they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Puerto Rico Constitution and the cited Puerto Rico law, which speak for themselves, regarding their complete and accurate contents.

103. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 103, and otherwise denies the allegations of Paragraph 103, except to the extent that they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the cited Puerto Rico laws, which speak for themselves, regarding their complete and accurate contents.

104. Ambac states that Paragraph 104 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 104. Ambac respectfully refers the Court to the Puerto Rico Constitution and Puerto Rico laws, which speak for themselves, regarding their complete and accurate contents.

105. Ambac denies the allegations in the first four sentences of Paragraph 105, and states that the last sentence sets forth legal conclusions to which no response is required.

106. Ambac states that Paragraph 106 sets forth legal conclusions to which no response is required, and respectfully refers the Court to COFINA's enabling statutes, which speak for themselves, regarding their complete and accurate contents.

107. Ambac states that Paragraph 107 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 107. Ambac respectfully refers the Court to the Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

108. Ambac states that Paragraph 108 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Executive Order and Article VI of the Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents.

109. Ambac states that Paragraph 109 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 109. Ambac respectfully refers the Court to the Executive Order and the Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents.

110. Ambac states that Paragraph 110 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Executive Order, the Puerto Rico Constitution, and Section 303 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

111. Ambac states that Paragraph 111 sets forth legal conclusions to which no response is required.

112. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 112, and respectfully refers the Court to the 2014 GO Bond Resolution, which speaks for itself, regarding its complete and accurate contents.

113. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 113, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2014 GO Bond Resolution, which speaks for itself, regarding its complete and accurate contents

114. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 114, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2014 GO Bond Resolution, which speaks for itself, regarding its complete and accurate contents.

115. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 115, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2014 GO Bond Resolution, which speaks for itself, regarding its complete and accurate contents.

116. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 116, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2014 GO Bond Resolution, which speaks for itself, regarding its complete and accurate contents.

117. Ambac states that Paragraph 117 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the 2014 GO Bond Resolution and prior GO Bond Resolutions, which speak for themselves, regarding their complete and accurate contents.

118. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 118, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2012 GO Bonds and the 2012 GO Bond Resolution, which speak for themselves, regarding their complete and accurate contents.

119. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 119, except to the extent they set forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the 2012 and 2014 GO Bond Resolutions, and P.R. Laws Ann. tit. 13, § 41, which speak for themselves, regarding their complete and accurate contents.

120. Ambac states that Paragraph 120 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Series 2006 PRIFA Special Tax Revenue Bonds Official Statement, which speaks for itself, regarding its complete and accurate contents.

121. Ambac states that Paragraph 121 sets forth legal conclusions to which no response is required.

122. Ambac states that Paragraph 122 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act and Executive Order, which speak for themselves, regarding their complete and accurate contents.

123. Ambac states that Paragraph 123 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act and Executive Order, which speak for themselves, regarding their complete and accurate contents.

124. Ambac states that Paragraph 124 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act and Executive Order, which speak for themselves, regarding their complete and accurate contents.

125. Ambac states that Paragraph 125 sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Moratorium Act and Executive Order, which speak for themselves, regarding their complete and accurate contents.

Plaintiffs' First Cause of Action

126. Ambac repeats its responses and answers to Paragraphs 1-125 above.

127. Ambac states that Paragraph 127 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required. Ambac respectfully refers the Court to the Declaratory Judgment Act, and Sections 204 and 207 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

128. Ambac states that Paragraph 128 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

129. Ambac states that Paragraph 129 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 207 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

130. Ambac states that Paragraph 130 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution and Sections 204 and 207 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

131. Ambac states that Paragraph 131 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 204 of PROMESA, which speaks for itself, regarding its complete and accurate contents. To the extent a response is required, Ambac denies the allegations of Paragraph 131.

132. Ambac states that Paragraph 132 sets forth legal conclusions to which no response is required, except to the extent that the second sentence constitutes a characterization of the action to which no response is required. Ambac respectfully refers the Court to PROMESA and the Puerto Rico Constitution and laws, which speak for themselves, regarding their complete and accurate contents.

133. Ambac denies the second sentence of Paragraph 133, and states that the remaining allegations of Paragraph 133, including all its subparts, constitute a characterization of the action to which no response is required.

134. Ambac states that Paragraph 134 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required.

Plaintiffs' Second Cause of Action

135. Ambac repeats its responses and answers to Paragraphs 1-134 above.

136. Paragraph 136 constitutes a characterization of the action to which no response is required.

137. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 137.

138. Ambac states that Paragraph 138 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 138.

139. Ambac states that Paragraph 139 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 139.

140. Ambac states that Paragraph 140 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 140.

141. Ambac states that Paragraph 141 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 141.

142. Ambac states that Paragraph 142 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 142.

143. Ambac states that Paragraph 143 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 143.

144. Ambac states that Paragraph 144 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 144.

Plaintiffs' Third Cause of Action

145. Ambac repeats its responses and answers to Paragraphs 1-144 above.

146. Ambac states that the first two sentences of Paragraph 146 set forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium

Act and 11 U.S.C. 109, which speak for themselves, regarding their complete and accurate contents. Ambac lacks knowledge or information sufficient to form a belief as to the remainder of the allegations in Paragraph 146.

147. Ambac states that Paragraph 147 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act and Section 303 of PROMESA, which speak for themselves, regarding their complete and accurate contents.

148. Ambac states that Paragraph 148 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Section 303 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

149. Ambac states that Paragraph 149 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act, which speaks for itself, regarding its complete and accurate contents.

150. Ambac states that Paragraph 150 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 150.

Plaintiffs' Fourth Cause of Action

151. Ambac repeats its responses and answers to Paragraphs 1-150 above.

152. Ambac states that Paragraph 152 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

153. Ambac states that Paragraph 153 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 153.

154. Ambac states that Paragraph 154 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution, the

Executive Order, and the Moratorium Act, which speak for themselves, regarding their complete and accurate contents.

155. Ambac states that Paragraph 155 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

156. Ambac states that Paragraph 156 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 156.

157. Ambac states that Paragraph 157 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution and Moratorium Act, which speak for themselves, regarding their complete and accurate contents.

Plaintiffs' Fifth Cause of Action

158. Ambac repeats its responses and answers to Paragraphs 1-157 above.

159. Ambac states that Paragraph 159 sets forth legal conclusions to which no response is required, and respectfully refers the Court to Article VI of the Puerto Rico Constitution, which speaks for itself, regarding its complete and accurate contents.

160. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 160, and respectfully refers the Court to Act No. 56-2007, which speaks for itself, regarding its complete and accurate contents.

161. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the first two sentences of Paragraph 161. Ambac states that the third sentence of Paragraph 161 sets forth a legal conclusion to which no response is required. To the extent a response is required, Ambac denies the allegations in the third sentence of Paragraph 161.

162. Ambac states that Paragraph 162 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 162.

Plaintiffs' Sixth Cause of Action

163. Ambac repeats its responses and answers to Paragraphs 1-162 above.

164. Ambac states that Paragraph 164 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the United States and Puerto Rico Constitutions, and the case cited in Paragraph 164, regarding their complete and accurate contents. To the extent a response is required, Ambac denies the allegations of Paragraph 164.

165. Ambac states that the first three sentences of Paragraph 165 set forth legal conclusions to which no response is required, and respectfully refers the Court to the Moratorium Act, the Executive Order, and the Puerto Rico Constitution, which speak for themselves, regarding their complete and accurate contents. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 165.

166. Ambac states that Paragraph 166 sets forth legal conclusions to which no response is required, and Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 166.

167. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 167, except with respect to Footnote 5, which sets forth legal conclusions to which no response is required. Ambac respectfully refers the Court to the Press Release, which speaks for itself, regarding its complete and accurate contents.

168. Ambac denies the allegations in the first, second, fourth, and sixth sentences of Paragraph 168, and lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the third and fifth sentences. Ambac respectfully refers the Court to the cited

Distribution of Monthly Collection, Press Releases, and United States and Puerto Rico Constitutions, which speaks for themselves, regarding their complete and accurate contents.

169. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 169, and respectfully refers the Court refer to the Fiscal Year 2017 budget and cited KPMG report, which speak for themselves, regarding their complete and accurate contents.

170. Ambac denies the allegations of Paragraph 170.

171. Ambac denies the allegations of Paragraph 171.

172. Ambac states that Paragraph 172 sets forth legal conclusions to which no response is required. To the extent a response is required, Ambac denies the allegations of Paragraph 172.

Plaintiffs' Seventh Cause of Action

173. Ambac repeats its responses and answers to Paragraphs 1-172 above.

174. Ambac states that Paragraph 174 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico and United States Constitutions, which speak for themselves, regarding their complete and accurate contents.

Plaintiffs' Eighth Cause of Action

175. Ambac repeats its responses and answers to Paragraphs 1-174 above.

176. Ambac states that Paragraph 176 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the United States Constitution, which speaks for itself, regarding its complete and accurate contents.

177. Ambac states that Paragraph 177 sets forth legal conclusions to which no response is required, except to the extent that Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations regarding Plaintiffs' ownership of bonds.

178. Ambac states that Paragraph 178 sets forth legal conclusions to which no response is required, except to the extent Ambac lacks knowledge or information sufficient to form a belief as to the truth regarding Plaintiffs' ownership of bonds and expectations related thereto. Ambac respectfully refers the Court to the United States and Puerto Rico Constitutions, which speak for themselves, regarding their complete and accurate contents.

179. Ambac states that Paragraph 179 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the Puerto Rico Constitution, the Executive Order, and the Moratorium Act, which speak for themselves, regarding their complete and accurate contents.

180. Ambac states that Paragraph 180 sets forth legal conclusions to which no response is required.

Plaintiffs' Ninth Cause of Action

181. Ambac repeats its responses and answers to Paragraphs 1-180 above.

182. Ambac states that Paragraph 182 sets forth legal conclusions to which no response is required, and respectfully refers the Court to the United States and Puerto Rico Constitutions, which speak for themselves, regarding their complete and accurate contents.

Plaintiffs' Tenth Cause of Action

183. Ambac repeats its responses and answers to Paragraphs 1-182 above.

184. Ambac does not seek to intervene with respect to Plaintiffs' Tenth Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 184.

185. Ambac does not seek to intervene with respect to Plaintiffs' Tenth Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 185.

Plaintiffs' Eleventh Cause of Action

186. Ambac repeats its responses and answers to Paragraphs 1-185 above.

187. Ambac does not seek to intervene with respect to Plaintiffs' Eleventh Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 187.

188. Ambac does not seek to intervene with respect to Plaintiffs' Eleventh Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 188.

189. Ambac does not seek to intervene with respect to Plaintiffs' Eleventh Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 189.

190. Ambac does not seek to intervene with respect to Plaintiffs' Eleventh Cause of Action. Accordingly, Ambac has no obligation to respond to the allegations of Paragraph 190.

Plaintiffs' Twelfth Cause of Action

191. Ambac repeats its responses and answers to Paragraphs 1-190 above.

192. Ambac states that Paragraph 192 sets forth legal conclusions to which no response is required, and respectfully refers the Court to 42 U.S.C. § 1983, which speaks for itself, regarding its complete and accurate contents.

193. Ambac states that Paragraph 193 sets forth legal conclusions to which no response is required, and otherwise denies the allegations of Paragraph 193. Ambac respectfully refers the Court to the United States and Puerto Rico Constitutions, PROMESA and other the laws of the United States, Puerto Rico statutes, ordinances, regulations, customs and usages of the Commonwealth, which speak for themselves, regarding their complete and accurate contents.

Plaintiffs' Thirteenth Cause of Action

194. Ambac repeats its responses and answers to Paragraphs 1-193 above.

195. Ambac states that Paragraph 195 constitutes a characterization of the action, and/or sets forth legal conclusions, to which no response is required.

196. Ambac states that Paragraph 196 purports to state legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

197. Ambac states that Paragraph 197 purports to state legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

198. Ambac lacks knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 198 concerning Plaintiffs' interests. Ambac states that the remaining allegations of Paragraph 198 set forth legal conclusions to which no response is required, and respectfully refers the Court to Section 405 of PROMESA, which speaks for itself, regarding its complete and accurate contents.

199. Ambac states that Paragraph 199 constitutes a characterization of the action, and/or purports to state legal conclusions, to which no response is required.

Ambac further denies every allegation not specifically admitted or otherwise responded to above, including every heading and subheading to the extent they contain substantive allegations. With respect to Plaintiffs Prayer for Relief, Ambac denies that Plaintiffs are entitled to any relief or to a judgment in their favor.

AFFIRMATIVE DEFENSES

Ambac asserts the following affirmative defenses and reserves the right to assert others when and if they become appropriate, known, or available in this action. The statement of any affirmative defense below does not assume the burden of proof as to which applicable law places the burden on Plaintiffs:

First Affirmative Defense

Plaintiffs fail to state a claim upon which relief can be granted.

Second Affirmative Defense

Plaintiffs lack standing because they have not suffered irreparable harm.

Third Affirmative Defense

Plaintiffs' claims are time-barred by statutes of limitation and/or the doctrine of laches.

Fourth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of estoppel.

Fifth Affirmative Defense

Plaintiffs' claims are barred by the doctrines of waiver, release, acquiescence, or ratification.

Sixth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of unclean hands.

Seventh Affirmative Defense

Plaintiffs' claims are barred by the doctrine of marshaling.

Eighth Affirmative Defense

Plaintiffs are not entitled to equitable relief because they have an adequate remedy at law.

Ninth Affirmative Defense

Plaintiffs' claims are barred because they failed to mitigate their harm.

Tenth Affirmative Defense

Plaintiffs' claims are barred because they are contrary to public policy.

* * *

WHEREFORE, Ambac demands judgment dismissing the SAC and this action with prejudice, and awarding such other and further relief as the Court deems just and proper.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 20th day of March, 2017.

FERRAIUOLI LLC

By: /s/ Roberto A. Cámara-Fuertes
Roberto A. Cámara-Fuertes
USDC P.R. No. 219002
221 Ponce de León Avenue, 5th Floor
San Juan, PR 00917
Telephone: (787) 766-7000
Facsimile: (787) 766-7001
Email: rcamara@ferraiuoli.com

MILBANK, TWEED, HADLEY & MCCLOY
LLP

By: /s/ Andrew M. Leblanc
Dennis Dunne (*admitted pro hac vice*)
Andrew M. Leblanc (*admitted pro hac vice*)
Atara Miller (*admitted pro hac vice*)
Grant R. Mainland (*admitted pro hac vice*)
28 Liberty Street
New York, NY 10281
Telephone: (212) 530-5000
Facsimile: (212) 530-5219
Email: ddunne@milbank.com
aleblanc@milbank.com
amiller@milbank.com
gmainland@milbank.com

Attorneys for Ambac Assurance Corporation