

**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-DEFENDANTS COFINA SENIOR BONDHOLDERS’
ANSWER TO SECOND AMENDED COMPLAINT**

Intervenor-Defendants Jose F. Rodriguez and certain institutional holders who together hold more than \$2 billion of senior secured bonds issued by the Puerto Rico Sales Tax Financing Corporation (“COFINA”),¹ by and through their undersigned counsel, hereby for their Answer (“Answer”) to the Second Amended Complaint (the “SAC”), filed by Plaintiffs on November 4, 2016, state as follows:

PRELIMINARY STATEMENT

The crux of Plaintiffs’ argument is that more than \$17 billion in sales tax bonds issued by COFINA are the offspring of an unconstitutional legislative act enacted over a decade ago and COFINA debt continues to be paid unconstitutionally. That contention is contrary to the letter, history, and spirit of the public debt provisions whose operative language was added to the Puerto

¹ Mr. Rodriguez and the institutional holders of the COFINA senior bonds shall be referred to herein as the “COFINA Senior Bondholders” or the “Intervenors.” In addition to Mr. Rodriguez, the COFINA Senior Bondholders are the following entities, either as beneficial holders or on behalf of managed funds and accounts: Cyrus Capital Partners, 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.; GoldenTree Asset Management LP; Merced Capital, L.P.; Old Bellows Partners LP; Scoggin Management LP; Taconic Master Fund 1.5 L.P.; Taconic Opportunity Master Fund L.P.; Tilden Park Capital Management 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.; and Whitebox Advisors LLC.

Rico Constitution in 1961. Acts of the Legislative Assembly of Puerto Rico are presumed constitutional, particularly in the areas of taxation, appropriation, and public finance, so Plaintiffs have the burden of demonstrating the constitutional defect. It is clear that creation of COFINA was and is constitutional.

A thorough analysis of Puerto Rico's Constitution reveals Plaintiffs cannot meet their burden of proof and instead resort to misleading the investment community by omitting key parts of the Puerto Rico Constitution and the history of its drafting. Plaintiffs cherry-pick portions of the Puerto Rico Constitution concerning the rights of general obligation bonds ("GOs") but omit or misapprehend the following facts:

- The Constitution contains a debt limitation that by its express terms only applies to debt that is backed by the full faith, credit, and taxing power of the Commonwealth of Puerto Rico (the "Commonwealth"). The 1961 amendment to the Constitution was similar in this respect to prior federal statutes that previously provided the limit on debt backed by the full faith and credit and that did not apply to non-recourse public corporation debt with dedicated revenues, such as COFINA.
- COFINA was not created by the Legislative Assembly to evade the limitation that applies only to Commonwealth full-faith and credit debt. There was ample margin to issue more than **\$10 billion of additional GOs** at the time of COFINA's creation; the Commonwealth faced a fiscal crisis and the problem was (and unsurprisingly remains) that investors did not wish to lend against the General Fund at costs that were sensible for the taxpayers. This problem is not unique to Puerto Rico and COFINA's lower-cost securitization structure has been employed in several states.
- The 1961 amendment to Puerto Rico's Constitution could have imposed, but did not, impose a limit on all debt issued by the Commonwealth or its public corporations. As Plaintiffs admit (SAC ¶ 15), "bonds issued by COFINA . . . are *not* public debt for purposes of the Puerto Rico Constitution." (Emphasis in original.)
- The 1961 amendment likewise could have, but did not, alter the grant of plenary authority conferred upon the legislature to impose taxes and determine their use. As Plaintiffs' admit (SAC ¶ 70), the Legislative Assembly's power in this regard "shall never be surrendered or suspended."
- This authority is reflected in the text of the Puerto Rico Constitution, which provides only that payment on GOs be made from "available" resources, not "all"

resources, inherently recognizing that the legislature may determine that certain resources are not available, including by the sale or transfer of such resources.

- Plaintiffs are *unsecured creditors of the Commonwealth*, not COFINA, and their so-called “Constitutional Debt Priority Guarantee” is limited to bringing an action against the Secretary of the Treasury to pay them before other Commonwealth expenses from funds made available (*i.e.*, “covered”) to the Treasury by the Legislative Assembly. Nothing in Puerto Rico’s Constitution gives holders of GOs the right to be paid from property outside the ambit of the Secretary of the Treasury as provisioned by the Legislative Assembly on behalf of the citizenry.

A. The Plaintiffs Misrepresent the Nature of COFINA

COFINA was Puerto Rico’s original “rescue bond.” In the face of rising borrowing costs from investors in GOs during the 2006 and 2007 fiscal crisis, the Commonwealth created an independent, separate entity called COFINA. Pursuant to its plenary constitutional power, the Legislative Assembly of Puerto Rico in 2006 imposed a sales and use tax (the “SUT”), and by statute transferred ownership of a portion of the SUT to COFINA (the “Dedicated Sales Tax”) to be held separate and apart from the Commonwealth’s general fund (the “General Fund”). The legislative transfer of ownership of this asset was deemed necessary by the legislature to monetize (and use for legitimate public purposes, not divert) future revenues. The legislature thereby insulated new investors from the risks plaguing the General Fund, and raised money at a lower cost on the promise of new, safe, and transparent bonds that would be secured by a comfortable cushion of COFINA’s future cash flows. COFINA’s Dedicated Sales Tax constitutes property rights conferred by statute—and protected by both the Puerto Rico and the United States constitutions—to induce investors, both on and off the Island, to support Puerto Rico at a lower cost than issuing more GOs.

COFINA was extensively marketed to the people of Puerto Rico as a safe and secure investment, and has been the Puerto Rico debt issue that Puerto Rican individuals and institutions have most trusted with their life savings and capital. COFINA Bonds are more widely-held on the

Island than any other Puerto Rico-based debt issue. According to the most recent Fiscal Plan of the Commonwealth, there are **more than seven times the dollar amount of COFINA Bonds held in Puerto Rico than GOs**. COFINA bondholders, many of whom, like Intervenor-Defendant Rodriguez, are also residents of Puerto Rico, depend on the sanctity of the COFINA structure and the regular payment of the interest and principal to which they are entitled. Accordingly, any interruption in COFINA payments will have a devastating and cascading effect on Puerto Rico and its residents, jeopardizing, at this critical juncture, Puerto Rico's ability to stabilize its economy and restore growth.

B. Plaintiffs Misrepresent the Nature of GOs

In contrast to COFINA bonds, GOs are *merely unsecured obligations of the Commonwealth*. Admitting this, the 2014 GO Official Statement governing GOs held by Plaintiffs made this abundantly clear: **“There is no collateral securing the [GOs], and the [GOs] cannot be accelerated upon a default. The [GOs] are not secured by a lien on any physical asset of the Commonwealth.”** Official Statement for Commonwealth of P.R. Gen. Ob. Bonds of 2014, Series A, at p.16 (first emphasis in original). Similarly, Official Statements for GOs have consistently stated that COFINA's Dedicated Sales Taxes **“do not constitute ‘available resources’”** within the meaning of the Puerto Rico Constitution and are **“not available for the payment of principal of and interest on the Bonds.”** *Id.* (emphasis added).

Simply stated, Plaintiffs' “alternative facts” cannot change the history of Puerto Rico, the legislature's exercise of legitimate constitutional power in creating COFINA, or the lack of any property interest securing the GOs.

GENERAL DENIALS

Except as otherwise expressly admitted in the paragraphs below, the COFINA Senior Bondholders deny each and every allegation in the SAC. To the extent any allegation in the SAC is not specifically and expressly admitted, it is denied. No statement herein constitutes a comment on the legal theories upon which Plaintiffs purport to proceed. To the extent the SAC asserts legal contentions, such legal contentions require no response in this Answer, and this Answer contains no response to legal contentions other than their general denial. To the extent any response is required to the table of contents, headings, footnotes, or other unnumbered paragraphs in the SAC, the COFINA Senior Bondholders deny all such allegations.

SPECIFIC RESPONSES TO THE PARAGRAPHS IN THE SAC

1. The COFINA Senior Bondholders deny the allegations set forth in Paragraph 1, except admit that PROMESA establishes a Financial Oversight and Management Board. To the extent that the allegations contained in that paragraph state conclusions or characterizations of law, no response is required.

2. The COFINA Senior Bondholders deny the allegations of Paragraph 2.

3. Paragraph 3 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 204(c)(3) of PROMESA, which speaks for itself.

4. Paragraph 4 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 207 of PROMESA, which speaks for itself.

5. The COFINA Senior Bondholders deny any knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 5 concerning Plaintiffs' ownership of GO and GO-Guaranteed Bonds. The remaining allegations state conclusions or characterizations of law, to which no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien. The COFINA Senior Bondholders refer to Sections 204(c)(3) and 207 of PROMESA and Article VI of the Puerto Rico Constitution, which speak for themselves.

6. Paragraph 6 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 8 of the Puerto Rico Constitution, which speaks for itself.

7. The COFINA Senior Bondholders deny any knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 7 outside of Exhibits B and C referenced therein, except that the COFINA Senior Bondholders deny that GOs are secured by any lien. The COFINA Senior Bondholders refer to those exhibits, which speak for themselves.

8. Paragraph 8 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 204(c)(3) of PROMESA, which speaks for itself.

9. The COFINA Senior Bondholders admit the allegations in Paragraph 9 to the extent that Former Governor Garcia-Padilla issued the Executive Order, and refer to the Executive Order, which speaks for itself. The remainder of Paragraph 9 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the

allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303 of PROMESA, which speaks for itself.

10. The COFINA Senior Bondholders admit the allegations in Paragraph 10 to the extent that the Commonwealth enacted a Fiscal Year 2017 budget, and they refer to the Fiscal Year budget, which speaks for itself. The remaining allegations in Paragraph 10 states conclusions or characterizations of law, to which no response is required.

11. The COFINA Senior Bondholders lack the knowledge or information sufficient to admit or deny the allegations of Paragraph 11 because it is vague and fails to identify the referenced legislation, but admit that the Commonwealth has failed to make certain debt service payments including on GOs.

12. Paragraph 12 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 204(c)(3) and 207 of PROMESA, which speak for themselves.

13. The COFINA Senior Bondholders deny the allegations set forth in Paragraph 13. To the extent that the allegations contained in this paragraph state conclusions or characterizations of law, no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

14. Paragraph 14 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 5(19), 5(20), and 303(3) of PROMESA, which speak for themselves.

15. The COFINA Senior Bondholders deny the allegations set forth in the third sentence of Paragraph 15. The remainder of Paragraph 15 states conclusions or characterizations of law, to which no response is required.

16. The COFINA Senior Bondholders deny the allegations in Paragraph 16.

17. The COFINA Senior Bondholders admit the allegations in Paragraph 17 to the extent that Former Governor Garcia-Padilla issued the Executive Order, and refer to the Executive Order, which speaks for itself. The remaining allegations in Paragraph 17 state conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

18. Paragraph 18 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

19. The COFINA Senior Bondholders deny the allegations in Paragraph 19. To the extent Paragraph 19 states conclusions or characterizations of law, no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien. The COFINA Senior Bondholders refer to the Constitution and laws of the Commonwealth, which speak for themselves.

20. The COFINA Senior Bondholders deny the allegations in Paragraph 20. To the extent Paragraph 20 states conclusions or characterizations of law, no response is required. The COFINA Senior Bondholders refer to the Executive Order and Section 303(3) of PROMESA, which speak for themselves.

21. Paragraph 21 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to Section 303(1) of PROMESA and the Moratorium Act, which speaks for themselves.

22. Paragraph 22 constitutes a characterization of the action and/or states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

23. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 23.

24. The COFINA Senior Bondholders admit the allegations contained in Paragraph 24.

25. The COFINA Senior Bondholders deny the allegations contained in Paragraph 25.

26. The COFINA Senior Bondholders deny the allegations contained in Paragraph 26.

27. The COFINA Senior Bondholders admit the allegations contained in the first sentence of Paragraph 27. The second sentence of Paragraph 27 states a conclusion or characterization of law, to which no response is required.

28. The COFINA Senior Bondholders deny the allegations contained in Paragraph 28.

29. The COFINA Senior Bondholders admit the allegations contained in Paragraph 29.

30. The COFINA Senior Bondholders deny the allegations contained in Paragraph 30.

31. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of Paragraph 31. The COFINA Senior Bondholders admit the allegations contained in the second sentence of Paragraph 31.

32. The COFINA Senior Bondholders deny the allegations contained in Paragraph 32.

33. Paragraph 33 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to Sections 204(c)(3), 207, 303(1), 303(3), and 405(e) of PROMESA, the United States Constitution, the Puerto Rico Constitution, and the U.S. Code, which speak for themselves.

34. Paragraph 34 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 106(a) of PROMESA, which speaks for itself.

35. The COFINA Senior Bondholders admit the allegations contained in Paragraph 35.

36. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 36.

37. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 37.

38. The COFINA Senior Bondholders admit that Congress passed PROMESA and the President signed it into law on June 30, 2016. The remainder of Paragraph 38 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Chapter 9 of the federal Bankruptcy Code and PROMESA, which speak for themselves.

39. Paragraph 39 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 101(a), 104, 206, 304(a), and 601(g)(1)(C) and (m)(1)(B) of PROMESA, which speak for themselves.

40. The COFINA Senior Bondholders admit the allegations contained in the first three sentences of Paragraph 40. The fourth sentence of Paragraph 40 states conclusions or

characterizations of law, to which no response is required, and refer to Section 103 of PROMESA, which speaks for itself. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations in the fifth sentence of Paragraph 40. The COFINA Senior Bondholders deny the allegations in the sixth sentence of Paragraph 40.

41. Paragraph 41 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 405(b)(1) of PROMESA, which speaks for itself.

42. Paragraph 42 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 405(a)(1) of PROMESA, which speaks for itself.

43. Paragraph 43 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 405(a)(2) of PROMESA, which speaks for itself.

44. Paragraph 44 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 405(e)(2) and (g) of PROMESA, which speak for themselves.

45. Paragraph 45 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to Section 405(b)(1) of PROMESA, which speaks for itself.

46. Paragraph 46 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 405(d) of PROMESA, which speaks for itself.

47. Paragraph 47 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 301(a) of PROMESA, which speaks for itself.

48. Paragraph 48 constitutes a characterization of the action to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

49. Paragraph 49 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 204(c)(3)(A) of PROMESA, which speaks for itself.

50. Paragraph 50 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 201-212 of PROMESA and Article VI of the Puerto Rico Constitution, which speak for themselves.

51. Paragraph 51 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to Section 204(c)(3)(B) of PROMESA, which speaks for itself.

52. Paragraph 52 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 207 of PROMESA, which speaks for itself.

53. Paragraph 53 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303(3) of PROMESA, which speaks for itself.

54. Paragraph 54 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303(3) of PROMESA, which speaks for itself.

55. Paragraph 55 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303(3) of PROMESA, which speaks for itself.

56. Paragraph 56 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303(1) of PROMESA, which speaks for itself.

57. Paragraph 57 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 204(c)(3), 207, 303(1), and 303(3) of PROMESA, and 11 U.S.C. §§ 903 and 363(b), which speak for themselves.

58. Paragraph 58 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Sections 204(c)(3), 207, 303(1), and 303(3) of PROMESA, which speak for themselves.

59. Paragraph 59 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution, which speaks for itself.

60. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first and second sentences of Paragraph 60. The third sentence of Paragraph 60 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

61. Paragraph 61 states conclusions or characterizations of law, to which no response is required. To the extent Paragraph 61 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in it.

62. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 62.

63. Paragraph 63 states conclusions or characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 8 and the Official Statement for Commonwealth of Puerto Rico General Obligation Bonds of 2014, which speak for themselves.

64. Paragraph 64 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Public Law 600, the Message from the President of the United States Transmitting the Constitution of the Commonwealth of Puerto Rico Adopted by the People of Puerto Rico, and the Joint Resolution, which speak for themselves.

65. Paragraph 65 states conclusions and characterizations of law, to which no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien. The COFINA Senior Bondholders refer to Article VI, Section 2 of the Puerto Rico Constitution and the Act of Aug. 3, 1961, Pub. L. No. 87-121, 75 Stat. 245 (1961), which speak for themselves.

66. Paragraph 66 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 8 of the Puerto Rico Constitution and P.R. Laws Ann. tit. 23, § 104(c), which speak for themselves.

67. Paragraph 67 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 6 of the Puerto Rico Constitution and the laws of the Commonwealth, which speak for themselves.

68. Paragraph 68 states conclusions and characterizations of law, to which no response is required. To the extent Paragraph 68 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to whether the Governor made the statements alleged in Paragraph 68, and refer to Exhibits B and C, which speak for themselves. To the extent Paragraph 68 suggests Plaintiffs have a lien on property, the allegation is denied.

69. Paragraph 69 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution, which speaks for itself.

70. Paragraph 70 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 2 of the Puerto Rico Constitution, which speaks for itself.

71. Paragraph 71 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 2 of the Puerto Rico Constitution, which speaks for itself.

72. Paragraph 72 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 7 of the Puerto Rico Constitution, which speaks for itself.

73. Paragraph 73 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution and the laws of the Commonwealth, which speak for themselves.

74. Paragraph 74 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders refer to PROMESA, which speaks for itself. To the extent Paragraph 74 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

75. The COFINA Senior Bondholders admit that Former Governor Garcia-Padilla issued the Executive Order on June 30, 2016. The remainder of Paragraph 75 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Executive Order, which speaks for itself.

76. Paragraph 76 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph, except admit that the Commonwealth has failed to make certain debt service payments, including with respect to GOs. The COFINA Senior Bondholders refer to the Moratorium Act and Executive Order, which speak for themselves.

77. Paragraph 77 states conclusions and characterizations of law, to which no response is required. To the extent Paragraph 77 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein concerning whether the Commonwealth had \$200 million in its

operating account when the July 1, 2016 payment came due, whether such funds could or should have been used to pay GOs, and the contents of Exhibit D. The COFINA Senior Bondholders refer to Exhibit D, which speaks for itself.

78. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 78, and refer to Exhibits D and F, which speak for themselves.

79. Paragraph 79 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Puerto Rico Constitution, the laws of Puerto Rico, and Section 204(c)(3)(A) of PROMESA, which speak for themselves. To the extent Paragraph 79 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

80. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 80. The COFINA Senior Bondholders refer to the laws of Puerto Rico and the Fiscal Year 2016 budget, which speak for themselves.

81. Paragraph 81 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Puerto Rico Constitution and Section 204(c)(3) of PROMESA, which speak for themselves. To the extent Paragraph 81 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein regarding the amount devoted to GOs in the Fiscal Year 2017 budget, and the COFINA Senior Bondholders refer to the Fiscal Year 2017 budget, which speaks for itself.

82. Paragraph 82 states conclusions and characterizations of law, to which no response is required. To the extent Paragraph 82 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein. The COFINA Senior Bondholders refer to the Fiscal Year 2017 Budget, which speaks for itself.

83. Paragraph 83 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders refer to the Puerto Rico Constitution, which speaks for itself. To the extent Paragraph 83 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

84. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 84. The COFINA Senior Bondholders refer to the Fiscal Year 2017 budget, which speaks for itself.

85. Paragraph 85 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders refer to the Puerto Rico Constitution and laws of Puerto Rico, which speaks for themselves. To the extent Paragraph 85 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

86. Paragraph 86 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to PROMESA, the Puerto Rico Constitution, and the laws of Puerto Rico, which speak for themselves. To the extent Paragraph 86 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein regarding

the Fiscal Year 2017 budget. The COFINA Senior Bondholders refer to the budget for Fiscal Year 2017, which speaks for itself.

87. The COFINA Senior Bondholders admit the allegation in Paragraph 87 that Former Governor Garcia-Padilla signed into law the Act of July 20, 2016. However, the remainder of Paragraph 87 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Act No. 74-2016, the Puerto Rico Constitution, and PROMESA, which speak for themselves.

88. Paragraph 88 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to Act No. 74-2016 and the Puerto Rico Constitution, which speak for themselves. To the extent Paragraph 88 does not purport to make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

89. Paragraph 89 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Act NO. 74-2016, which speaks for itself.

90. Paragraph 90 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Act No. 74-2016, the Puerto Rico Constitution, and Sections 204(c)(3) and 207 of PROMESA, which speak for themselves.

91. The COFINA Senior Bondholders deny the allegation in Paragraph 91 except admit that Former Governor Garcia-Padilla promulgated the Executive Order, and refer to the Executive Order, which speaks for itself.

92. The COFINA Senior Bondholders deny the allegations in Paragraph 92 except admit that certain interest payments were made by COFINA to COFINA bondholders and refer to the Executive Order, press releases, and Exhibit C, which speak for themselves.

93. Paragraph 93 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the laws of the Commonwealth, which speak for themselves.

94. The COFINA Senior Bondholders deny the allegations contained in Paragraph 94.

95. Paragraph 95 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Act No. 56-2007, and Article VII, Sections 1 and 2 of the Puerto Rico Constitution, which speak for themselves.

96. Paragraph 96 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the amount of debt currently outstanding. To the extent Paragraph 96 contains other factual allegations, the COFINA Senior Bondholders deny such allegations.

97. The COFINA Senior Bondholders deny the allegations contained in the first sentence of Paragraph 97. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in Paragraph 97, except refer to the Official Statement for Puerto Rico Sales Tax Financing Corporation Sales Tax Bonds, First Subordinate Series 2011A, which speaks for itself.

98. Paragraph 98 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution and the laws of Puerto Rico, which speak for themselves.

99. Paragraph 99 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

100. Paragraph 100 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the laws of Puerto Rico and the Official Statement for Puerto Rico Sales Tax Financing Corporation Sales Tax Bonds, First Subordinate Series 2011A, which speak for themselves.

101. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 101. The COFINA Senior Bondholders refer to the laws of Puerto Rico, which speak for themselves.

102. Paragraph 102 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution and laws of Puerto Rico, which speak for themselves.

103. Paragraph 103 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Act Nos. 91-2006, 291-2006, and 56-2007, which speak for themselves.

104. The COFINA Senior Bondholders deny the allegations contained in Paragraph 104.

105. Paragraph 105 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

106. Paragraph 106 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to COFINA's enabling legislation, which speaks for itself.

107. Paragraph 107 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 8 of the Puerto Rico Constitution, which speaks for itself.

108. Paragraph 108 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Executive Order and Article VI, Section 8 of the Puerto Rico Constitution, which speak for themselves.

109. The COFINA Senior Bondholders deny the allegations of Paragraph 109.

110. Paragraph 110 states conclusions and characterizations of law, to which no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 303(3) of PROMESA, the Puerto Rico Constitution, and the Executive Order, which speak for themselves.

111. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 111.

112. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 112. The COFINA Senior Bondholders refer to the 2014 GO Bond Resolution, which speaks for itself.

113. Paragraph 113 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the 2014 GO Bond Resolution, which speaks for itself.

114. Paragraph 114 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the 2014 GO Bond Resolution, which speaks for itself.

115. Paragraph 115 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the 2014 GO Bond Resolution, which speaks for itself.

116. Paragraph 116 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the 2014 GO Bond Resolution and Act No. 34-2014, which speaks for themselves.

117. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 117.

118. Paragraph 118 states conclusions and characterizations of law, to which no response is required. To the extent the allegations in Paragraph 118 do not purport to make legal

conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein. The COFINA Senior Bondholders refer to the 2012 GOs and the 2012 GO Bond Resolution, which speak for themselves.

119. Paragraph 119 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the 2012 and 2014 GO Bond Resolutions and the laws of Puerto Rico, which speak for themselves.

120. Paragraph 120 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Official Statement for PRIFA Special Tax Revenue Bonds, Series 2006, which speaks for itself.

121. Paragraph 121 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

122. Paragraph 122 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Moratorium Act and Executive Order, which speak for themselves.

123. Paragraph 123 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Moratorium Act and Executive Order, which speak for themselves.

124. Paragraph 124 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Moratorium Act and Executive Order, which speak for themselves.

125. The COFINA Senior Bondholders admit that the Commonwealth has failed to make certain debt service payments, including on GOs. The remainder of Paragraph 125, however, states conclusions and characterizations of law, to which no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien.

Answering Plaintiffs' First Cause of Action

126. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-125, above.

127. Paragraph 127 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Declaratory Judgement Act, which speaks for itself.

128. The COFINA Senior Bondholders deny the allegations contained in Paragraph 128.

129. The COFINA Senior Bondholders deny the allegations contained in Paragraph 129.

130. The COFINA Senior Bondholders deny the allegations contained in Paragraph 130.

131. The COFINA Senior Bondholders deny the allegations contained in Paragraph 131.

132. The COFINA Senior Bondholders deny the allegations contained in Paragraph 132.

133. Paragraph 133 is a characterization of the action, to which no response is required. To the extent Paragraph 133 does not characterize the action, the COFINA Senior Bondholders deny the allegations contained in Paragraph 133.

134. The COFINA Senior Bondholders deny the allegations contained in Paragraph 134.

Answering Plaintiffs' Second Cause of Action

135. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-134, above.

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

137. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 137.

138. The COFINA Senior Bondholders deny the allegations contained in Paragraph 138.

139. The COFINA Senior Bondholders deny the allegations contained in Paragraph 139.

140. The COFINA Senior Bondholders deny the allegations contained in Paragraph 140.

141. The COFINA Senior Bondholders deny the allegations contained in Paragraph 141.

142. The COFINA Senior Bondholders deny the allegations contained in Paragraph 142.

143. The COFINA Senior Bondholders deny the allegations contained in Paragraph 143.

144. The COFINA Senior Bondholders deny the allegations contained in Paragraph 144.

Answering Plaintiffs' Third Cause of Action

145. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-144, above.

146. Paragraph 146 states conclusions and characterizations of law, to which no response is required, and otherwise deny such allegations. The COFINA Senior Bondholders refer to the Moratorium Act and 11 U.S.C. § 109(b)(2), which speak for themselves. To the extent the allegations in Paragraph 146 does not make legal conclusions, the COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

147. Paragraph 147 states conclusions and characterizations of law, to which no response is required, and otherwise deny such allegations. The COFINA Senior Bondholders refer to the Moratorium Act and Section 303(1) of PROMESA, which speak for themselves.

148. Paragraph 148 states conclusions and characterizations of law, to which no response is required, and otherwise deny such allegations. The COFINA Senior Bondholders refer to Section 303(1) of PROMESA, which speaks for itself.

149. The COFINA Senior Bondholders deny the allegations contained in Paragraph 149.

150. The COFINA Senior Bondholders deny the allegations contained in Paragraph 150.

Answering Plaintiffs' Fourth Cause of Action

151. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-150, above.

152. The COFINA Senior Bondholders deny the allegations contained in Paragraph 152.

153. The COFINA Senior Bondholders deny the allegations contained in Paragraph 153, including any allegation that GOs are secured by any lien.

154. Paragraph 154 states conclusions and characterizations of law, to which no response is required, and otherwise deny such allegations. The COFINA Senior Bondholders refer to the Executive Order and Moratorium Act, which speak for themselves.

155. Paragraph 155 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 2 of the Puerto Rico Constitution, which speaks for itself.

156. The COFINA Senior Bondholders deny the allegations contained in Paragraph 156.

157. Paragraph 157 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such

paragraph. The COFINA Senior Bondholders refer to Article VI of the Puerto Rico Constitution and the Moratorium Act, which speak for themselves.

Answering Plaintiffs' Fifth Cause of Action

158. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-157, above.

159. Paragraph 159 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Article VI, Section 2 of the Puerto Rico Constitution, which speaks for itself.

160. The COFINA Senior Bondholders deny the allegations contained in Paragraph 160, except refer to Act No. 56 of 2007.

161. The COFINA Senior Bondholders deny the allegations contained in Paragraph 161.

162. The COFINA Senior Bondholders deny the allegations contained in Paragraph 162.

Answering Plaintiffs' Sixth Cause of Action

163. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-162, above.

164. Paragraph 164 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Contract Clause of the United States Constitution, the Moratorium Act, and the Executive Order, which speak for themselves. To the extent that the allegations in Paragraph 164 do not make legal conclusions, the COFINA Senior Bondholders deny the allegations contained therein.

165. Paragraph 165 states conclusions and characterizations of law, to which no response is required, and otherwise deny such allegations. The COFINA Senior Bondholders refer

to the Moratorium Act, the Executive Order and the Puerto Rico Constitution, which speak for themselves.

166. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 166.

167. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 167. The COFINA Senior Bondholders refer to the Press Release, which speaks for itself. Footnote 5 to Paragraph 167 states conclusions and characterizations of law, to which no response is required, except that the COFINA Senior Bondholders deny that GOs are secured by any lien.

168. The COFINA Senior Bondholders deny the allegations contained in Paragraph 168. The COFINA Senior Bondholders refer to the referenced budgets, which speak for themselves.

169. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 169. The COFINA Senior Bondholders refer to the referenced budgets and the KPMG report, which speak for themselves.

170. The COFINA Senior Bondholders deny the allegations contained in Paragraph 170.

171. The COFINA Senior Bondholders deny the allegations contained in Paragraph 171.

172. The COFINA Senior Bondholders deny the allegations contained in Paragraph 172.

Answering Plaintiffs' Seventh Cause of Action

173. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-172, above.

174. Paragraph 174 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Contract Clauses of the United States and Puerto Rico Constitution, which speak for themselves. To the extent Paragraph 174

does not make legal conclusions, the COFINA Senior Bondholders deny the allegations contained therein.

Answering Plaintiffs' Eighth Cause of Action

175. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-174, above.

176. Paragraph 176 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to the Fifth and Fourteenth Amendments to the United States Constitution, which speak for themselves.

177. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations concerning Plaintiffs' ownership of bonds. The COFINA Senior Bondholders also lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in Paragraph 177 because Paragraph 177 is vague and fails to specifically identify the "vested contractual and property rights."

178. Paragraph 178 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny such allegations. To the extent Paragraph 178 does not make legal conclusions, the COFINA Senior Bondholders lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in Paragraph 178, including as to Plaintiffs' holdings and expectations.

179. Paragraph 179 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Puerto Rico Constitution, the Executive Order, the Moratorium Act, and the Fifth and Fourteenth Amendments to the United States Constitution, which speak for themselves.

180. The COFINA Senior Bondholders deny the allegations contained in Paragraph 180.

Answering Plaintiffs' Ninth Cause of Action

181. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-180, above.

182. Paragraph 182 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Fifth and Fourteenth Amendments to the U.S. Constitution and Article II, Sections 7 and 9 of the Puerto Rico Constitution, which speak for themselves.

Answering Plaintiffs' Tenth Cause of Action

183. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-182, above.

184. Paragraph 184 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

185. Paragraph 185 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny such allegations.

Answering Plaintiffs' Eleventh Cause of Action

186. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-185, above.

187. The COFINA Senior Bondholders lack the knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 187, except to refer to the 2014 GO Bond Resolution.

188. Paragraph 188 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

189. Paragraph 189 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to the Moratorium Act and Executive Order, which speak for themselves.

190. Paragraph 190 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph.

Answering Plaintiffs' Twelfth Cause of Action

191. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-190, above.

192. Paragraph 192 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to 42 U.S.C. § 1983, which speaks for itself.

193. The COFINA Senior Bondholders deny the allegations contained in Paragraph 193.

Answering Plaintiffs' Thirteenth Cause of Action

194. The COFINA Senior Bondholders repeat and incorporate their responses to Paragraphs 1-193, above.

195. Paragraph 195 states characterizations of the action, to which no response is required.

196. Paragraph 196 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to Section 405(e)(1) of PROMESA, which speaks for itself.

197. Paragraph 197 states conclusions and characterizations of law, to which no response is required. The COFINA Senior Bondholders refer to Section 405(e)(2) of PROMESA, which speaks for itself.

198. Paragraph 198 states conclusions and characterizations of law, to which no response is required, and the COFINA Senior Bondholders otherwise deny the allegations in such paragraph. The COFINA Senior Bondholders refer to Section 405(e)(2) of PROMESA, which speaks for itself.

199. The COFINA Senior Bondholders deny the allegations in Paragraph 199.

The COFINA Senior Bondholders further deny each allegation not specifically admitted or otherwise responded to herein.

* * *

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

First Affirmative Defense

Plaintiffs' SAC was filed in violation of Section 405 of PROMESA.

Second Affirmative Defense

Plaintiffs' SAC fails to state a claim upon which relief can be granted.

Third Affirmative Defense

Plaintiffs' claims are barred by statutes of limitations.

Fourth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of laches.

Fifth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of estoppel.

Sixth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of waiver.

Seventh Affirmative Defense

Plaintiffs lack standing as they have not suffered irreparable harm.

Eighth Affirmative Defense

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

Ninth Affirmative Defense

Plaintiffs' claims are barred by the doctrine of marshaling.

Tenth Affirmative Defense

Plaintiffs lack standing to seek relief because they are not the registered owners of bonds pursuant to which they seek relief.

Eleventh Affirmative Defense

Plaintiffs' claims are barred because the resolutions governing their bonds limit their remedies to an action to compel the Treasurer of the Commonwealth of Puerto Rico to make payments on the bonds.

Twelfth Affirmative Defense

Plaintiffs' claims are barred because the Dedicated Sales Tax Fund is not an available resource under Article VI, Sections 2 and 8 of the Constitution of the Commonwealth of Puerto Rico.

The COFINA Senior Bondholders reserve the right to amend and supplement this Answer, including with respect to affirmative defenses. To the extent not stated herein, the COFINA Senior Bondholders incorporate affirmative defenses pled by other Defendants, including at Dkt. 150 (Answer of Defendants Luis Cruz-Batista, Alejandro Garcia-Padilla, The Commonwealth of Puerto Rico, Juan Zaragoza-Gomez) and Dkt. 164 (Answer of Defendants the Puerto Rico Sales Tax Financing Corporation, Juan Vaquer).

WHEREFORE, the COFINA Senior Bondholders demand judgment dismissing the SAC and this action with prejudice, and awarding such other and further relief as the Court deems just and proper.

DATED: March 9, 2017

Respectfully submitted,

REICHARD & ESCALERA

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By : s/Rafael Escalera
Rafael Escalera
USDC No. 122609
escalera@reichardescalera.com

s/Susheel Kirpalani
Susheel Kirpalani (*pro hac vice*)
susheel.kirpalani@quinnemanuel.com

s/Sylvia M. Arizmendi
Sylvia M. Arizmendi
USDC-PR 210714
arizmendis@reichardescalera.com

s/Eric Winston
Eric Winston (*pro hac vice*)
eric.winston@quinnemanuel.com

s/Carlos R. Rivera-Ortiz
Carlos R. Rivera-Ortiz
USDC-PR 303409
riverac@reichardescalera.com

s/Daniel Salinas
Daniel Salinas
USDC-PR 224006
daniel.salinas@quinnemanuel.com

255 Ponce de León Avenue
MCS Plaza, 10th Floor
San Juan, Puerto Rico 00917-1913

s/Eric Kay
Eric Kay (*pro hac vice*)
eric.kay@quinnemanuel.com

s/Brant Duncan Kuehn
Brant Duncan Kuehn (*pro hac vice*)
brant.kuehn@quinnemanuel.com

51 Madison Avenue, 22nd Floor
New York, New York 10010-1603

Co-Counsel for the COFINA Senior Bondholders

CERTIFICATE OF SERVICE

I hereby certify that on March 9, 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/Sylvia M. Arizmendi
Sylvia M. Arizmendi
USDC-PR 210714
arizmendis@reichardescalera.com