

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

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**RESPONSE AND RESERVATION OF RIGHTS OF THE
OFFICIAL COMMITTEE OF RETIRED EMPLOYEES OF THE
COMMONWEALTH OF PUERTO RICO TO (I) PUERTO RICO FUNDS
AND MUTUAL FUND GROUP'S MOTION FOR RELIEF FROM THE
AUTOMATIC STAY (ECF NO. 270) AND (II) THE DEBTORS' MOTION
FOR AN ORDER APPROVING PROCEDURES TO RESOLVE
COMMONWEALTH-COFINA DISPUTE (ECF NO. 303)**

To the Honorable United States District Judge Laura Taylor Swain:

The Official Committee of Retired Employees of the Commonwealth of Puerto Rico (the "Retiree Committee") hereby submits this response and reservation of rights to (I) the Puerto Rico Funds and Mutual Fund Group's Motion for Relief from the Automatic Stay (the "Stay Relief Motion"); and (II) the Debtors' Motion For an Order Approving Procedures to Resolve

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); and (ii) Puerto Rico Sales Tax Financing Corporation (Bankruptcy Case No. 17 BK 3284) (Last Four Digits of Federal Tax ID: 8474).

Commonwealth-COFINA Dispute (the “Procedures Motion,” and together with the Stay Relief Motion, the “Motions”) (ECF No. 303).

Preliminary Statement

1. On June 15, 2017, the Retiree Committee was appointed by the United States Trustee. The Retiree Committee represents the approximately 160,000 retirees of Puerto Rico who spent their working years earning the pensions and other benefits that are now threatened by the Commonwealth’s Title III Case. Indeed, according to the Oversight Board, Puerto Rico owes \$49 billion in pension liabilities to its retirees, and by the Oversight Board’s projections, the pension funds are expected to run out of money to fund those pension liabilities as soon as this summer. Thus, the Retiree Committee and its constituents have a vested and very personal interest in the resolution of any dispute that will determine whether certain funds are property of a particular creditor group.

Response to the Motions

2. The Motions seek to resolve a common issue: whether and to what extent certain sales and use tax revenue is available to the Commonwealth or must be preserved for COFINA’s bondholders (the “Commonwealth-COFINA Dispute”). *See* Procedures Motion ¶ 28; Stay Relief Motion 7.

3. The Retiree Committee agrees with the Movants that the resolution of the Commonwealth-COFINA Dispute requires a prompt and definitive answer and is necessary to the resolution of these Title III cases. The Retiree Committee believes that the Commonwealth-COFINA Dispute can be most efficiently resolved before this Court, and more fundamentally, that this Court is an appropriate forum for the resolution of the Commonwealth-COFINA Dispute. Accordingly, the Retiree Committee’s position is that the resolution of the Commonwealth-

COFINA Dispute should remain before this Court, and the Retiree Committee objects to the Stay Relief Motion's request for relief from the automatic stay to seek certification of the Commonwealth-COFINA Dispute to the Puerto Rico Supreme Court.

4. With respect to the Procedures Motion, the Retiree Committee believes that it is important that the interests of retirees are represented in the resolution of the Commonwealth-COFINA Dispute. As set forth above, the resolution of this dispute will have a significant effect on the Retiree Committee's constituents, and the Retiree Committee should have a meaningful opportunity to participate in the litigation and any settlement discussions anticipated by the Procedures Motion. As currently stated, the proposed procedures do not allow for the Retiree Committee to have any role in the selection of the Commonwealth Agent or in the litigation or settlement proceedings that are contemplated. All other creditor groups, including the unsecured creditors committee, would have a voice in the process. Accordingly, if the Procedures Motion is approved, the Retiree Committee requests that the proposed procedures be amended to provide that the Retiree Committee will be included in any scheduling and settlement discussions and that, as required under 11 U.S.C. § 1109 (incorporated into this proceeding by section 301 of PROMESA), it will be allowed to intervene in any litigation or that the Retiree Committee be given the status of a third "Agent" to represent the interests of retirees in the Commonwealth-COFINA Dispute.

5. The Retiree Committee reserves all rights and arguments with respect to the substance of the Commonwealth-COFINA Dispute and the validity of the COFINA and GO bonds.

Dated: June 21, 2017

Respectfully submitted,

JENNER & BLOCK LLP

BENNAZAR, GARCÍA & MILIÁN, C.S.P.

By:

By:

/s/ Robert Gordon

/s/ A.J. Bennazar-Zequeira

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