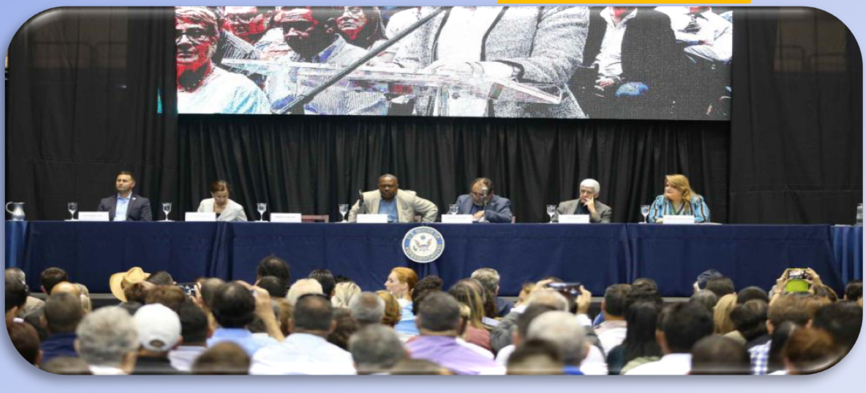
Congressional House Delegation Visits Puerto Rico

Headline Story



HUD approves Puerto Rico's amended action plan for $8.2 billion in CDBG-DR funds to aid in disaster recovery plan and rebuilding efforts

SEC announces $26 million settlement fund for certain UBS Puerto Rico investors

Aurelius Capital Management insists that Puerto Rico's Federal Oversight Management Board actions are 'null and void'

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House Natural Resources Committee delegation visits Puerto Rico

Headline Story

Rep. Raúl Grijalva of Arizona, the new chair of the House Natural Resources Committee, which oversees affairs in U.S. territories, led a delegation of members of the committee to a four-day trip to Puerto Rico to meet with legislators and groups, focusing on the economy, post hurricane recovery efforts, scrutinizing the role of the Fiscal Oversight Management Board ("FOMB") in charge of the territory's finances, and ways to improve the island's electric power grid.

The House Natural Resources Committee's delegation included Chairman Grijalva, Representatives Nydia Velázquez, D-NY, Darren Soto, D-Fla, Rob Bishop, R-Utah, Ruben Gallego, D-Ariz, and Jenniffer González, R-PR, Puerto Rico's nonvoting member of Congress.

As part of the trip, the delegation also held a public listening session at the Roberto Clemente Coliseum in San Juan. The listening session held on March 15, at the beginning of the four-day visit, featured residents of Puerto Rico which had the opportunity of speaking directly with federal lawmakers about concerning issues in the island, voiced concerns over what they believe is unfair treatment by the federal government. Some people in the crowd complained about the cost cuts being imposed by the FOMB and shrinking pension funds, while the majority of the people present at the coliseum, a venue provided by San Juan's Mayor Carmen Yulín Cruz, expressed their support for Statehood for Puerto Rico, complained about the colonial status of the island and booed the Mayor, who has been a longtime supporter of free association, a type of independence which the majority in Puerto Rico has historically opposed.

Chairman Grijalva emphasized that he was gathering information regarding Trump's administration federal recovery efforts after Hurricane María affected the island in September of 2017 and the economic and social impacts of the cuts in funding brought about by the FOMB as part of the huge fiscal debt restructuring process.

The Congressional delegation visited the towns of Loíza and Ciales as part of their on-site visits to different areas of the island, and also visited El Yunque, the only tropical rainforest in the United States, to witness reforestation efforts and scientist's work researching climate change.

The delegation also met with Governor Ricardo Rosselló, several Puerto Rican mayors, and members of the FOMB, to discuss the disbursement of federal recovery efforts and energy-related public policy that could help regulate the industry in the island. The governor raised the issue of status and the question of why they support statehood for Washington, D.C. and not for Puerto Rico.

The delegation held a meeting with the Puerto Rico Power Authority to ask questions about the agency's plan to go 100% renewable energy by 2050. With regards to the FOMB, Grijalva said that the Committee is expected to revise the law that created the board.

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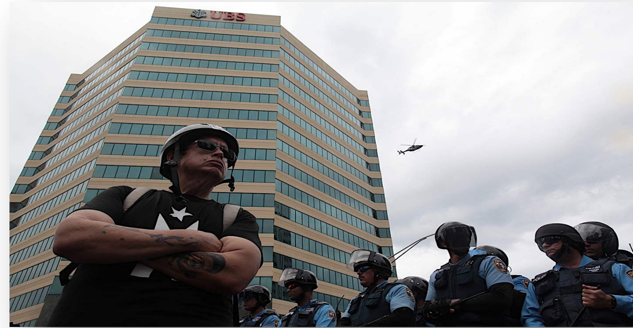
HUD approves Puerto Rico's additional $8.2 billion in CDBG-DR Disaster Recovery Funds

The U.S. Department of Housing and Urban Development ("HUD") approved the Puerto Rico Amended Action Plan allocating an additional $8.2 billion of Community Development Block Grant-Disaster Recovery ("CDBG-DR") funds to assist Puerto Rico in the recovery process arising from Hurricane María, allowing the island to start drawing on the funds for housing, economic revitalization and infrastructure. The first action plan in February 2018 allocated $1.5 billion and focused primarily on housing programs. These initial funds were finally approved last summer and just started to flow to the island in February of this year.

HUD's approval of the latest action plan makes Puerto Rico eligible for congressionally appropriated disaster relief funds, which will be awarded through HUD grant programs. CDBG-DR funds can be used by state and local governments, non-profit organizations, citizens and businesses. The amended action plan includes programs that will assist in the development of housing projects, retail and commercial facilities, industrial/manufacturing complexes, business incubators and accelerators, revitalization of urban centers and many other initiatives. The funds, which will likely take several years to spend, had been previously approved by Congress, but the plan itself needed approval by HUD, which was slowed by the 35-day partial federal shutdown.

HUD Secretary, Ben Carson, stated that this was an unprecedented investment but cautioned that the spending would come with "heightened scrutiny" on its use. As a result of what HUD said were the federal government's serious concern over Puerto Rico's past fiscal irregularities, HUD said that it will impose strict conditions and financial controls on the use of the funds. This heightened scrutiny will include enhanced monitoring of expenditures and other measures designed to ensure Puerto Rico's legal and prudent use of the funds. Carson stated that, since Puerto Rico has a "history of fiscal malfeasance", with stringent HUD oversight, these funds should have a real, lasting impact on Puerto Rico and help "our fellow citizens who are struggling to recover from these devastating storms."

The $8.2 billion in CDBG-DR funds, the largest grant made by HUD for disaster recovery in the history of the United States, will add to the $1.5 billion approved by Congress on February of last year. In the aggregate, Congress through HUD, has authorized approximately $20 billion in CDBG-DR funds for Puerto Rico. The Government of Puerto Rico has yet to define the use of approximately $10.3 billion remaining in CDBG-DR funds approved by Congress, which include approximately $2 billion to be used to provide enhanced or improved electrical power systems and related energy initiatives.



SEC announces $26 million settlement fund for certain UBS Puerto Rico investors

On March 22, 2019, the Securities and Exchange Commission ("SEC") issued a press release saying that investors in any of 23 non-exchanged traded, closed-end funds affiliated with UBS Financial Services of Puerto Rico ("UBS Puerto Rico") who were harmed by the firm may be entitled to a recovery from an established $26 million fund.

The 23 non-exchange traded, closed-end funds affiliated with UBS Puerto Rico were: "PR GNMA & U.S. Government Target Maturity Fund", "PR Mortgage Backed & U.S. Government Fund", "PR AAA Portfolio Target Maturity Fund", "PR AAA Portfolio Bond Fund I and II", "PR Investors Bond Fund", "PR Fixed Income Fund I, II, III, IV, V and VI", "PR Tax Free Target Maturity Fund I and II", "PR Tax Free Target Maturity Fund I and II", "Tax Free PR Target Maturity Fund", "Tax Free PR Fund I and II", and "PR Investor's Tax-Free Fund I, II, III, IV, V and VI".

On May 1, 2012, the SEC issued an order finding that from May 15, 2008, through September 30, 2009, UBS Puerto Rico made misrepresentations and omissions of material facts to investors in Puerto Rico "regarding the secondary market liquidity and pricing" of the funds. In addition, the SEC said it found that from March 1, 2009, through September 30, 2009, UBS Puerto Rico "effectively prevented investors from selling their Fund shares by failing to execute marketable sell orders placed by investors."

In accordance with the order, UBS Puerto Rico paid $26,609,739.94 to the SEC that consisted of $11.5 million "in disgorgement", $1,109,739 in "prejudgment interest", and a $14 million civil money penalty. The order created the "Fair Fund", pursuant to Section 308(a) of the SOX Act.

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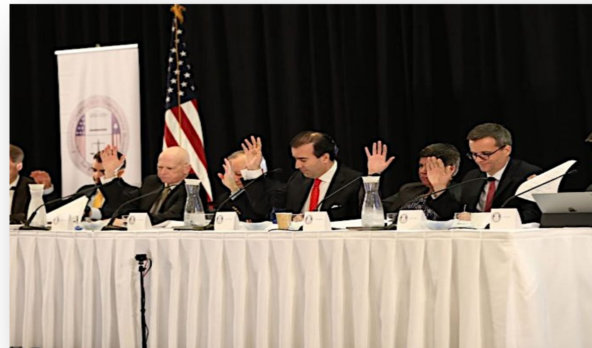

Aurelius Capital Management Insists that FOMB actions are 'null and void' following Boston decision

Aurelius Capital Management, a major Puerto Rico bondholder, which filed suit in 2017 to have Puerto Rico's Title III bankruptcy-like case thrown out, arguing that the Federal Oversight Management Board ("FOMB") was unconstitutionally established, said it reserves its right to challenge any actions taken by the FOMB' seven members since the Federal First Circuit of Appeals' ruling on February 15 held that the statutory provision used in the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") to select the panel is unconstitutional.

In the lawsuit filed in 2017, Aurelius cited the U.S. Constitution's appointment clause, which requires principal officers of the federal government to be appointed by the President and confirmed by the Senate. Plaintiff argued that the members of the FOMB were instead handpicked by individual members of Congress through an "intricate system of Balkanized lists, designed to severely constrain the President's appointment powers."

While Plaintiff Aurelius lost the case in the U.S. District Court, the lower court's decision was reversed on appeal by the First Circuit of Appeals in Boston but only as to the legality of the board. The First Circuit upheld the actions undertaken by the board using the so-called *de facto* officer doctrine and gave the White House ninety days for President Trump and the Senate to validate the appointments or reconstitute the board in accordance with the appointments clause, allowing the board to continue operating legally during the 90-day stay period.

Nevertheless, Aurelius continues to argue that "even assuming for present purposes that the de facto doctrine could validate the past actions of an unconstitutionally appointed Board, that doctrine certainly cannot preemptively validate any actions taken by the Board after the First Circuit declared it unconstitutionally structured but before that defect has been remedied. On February 28, the FOMB filed an appeal at the Supreme Court.

Aurelius filed a court document on March 22 stating that there is zero authority for the proposition that the *de facto* officer doctrine validates actions taken in the shadow of a ruling declaring the officials to be acting beyond their constitutional authority. Aurelius further added that it was incorrect to assert that because of the 90-day stay period for the President to validate appointments or reconstitute the board, the FOMB's actions, at least until May 16, 2019, are not null and void.

In the February decision, Boston was wary about voiding the FOMB's actions, pointing to "innocent third parties" who have relied on them and stating that a summary invalidation of everything the FOMB has done 2016 will likely introduce further delay into the debt restructuring process.