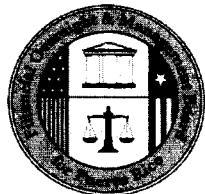


**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrión III
Chair

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Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

September 4, 2018

The Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

We write to inform you that, based on its interpretation and analysis, the Oversight Board concludes that a number of bills that have been introduced in the Legislature are inconsistent with the certified fiscal plan for the Commonwealth.

Specifically:

- PC 1716 would amend Act 106-2017 to authorize the Justice Department to pursue any legal action to defend the full payment of public pensions, notwithstanding the clear mandate of the pension reform outlined in the certified fiscal plan for the Commonwealth. The Oversight Board's pension reform policy, as incorporated into the certified fiscal plan for the Commonwealth and as contemplated as part of its Title III plan of adjustment, provides for an average 10% reduction in benefits. This reform will make future pension obligations more affordable for the Commonwealth, and therefore more likely to be able to be honored, and is being applied in a progressive manner to protect retirees from falling into poverty. Moreover, this reform is appropriate and necessary given pensioners' status as unsecured claimholders who are also essential to the Commonwealth's recovery and future.

SECRETARIA DEL SENADO
RECIBIDO SENADO 2018 0902130

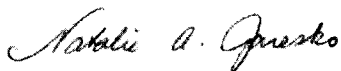
Hon. Ricardo A. Rosselló Nevares
Hon. Thomas Rivera Schatz
Hon. Carlos J. Méndez Núñez
September 4, 2018
Page 2

- PC 1707 would amend Act 1-2017 to exempt the sale of power generators from the SUT, which would deprive COFINA and the General Fund of revenues that the fiscal plan assumes will be collected and are the basis of revenue projections in the fiscal plan.
- PC 1723 and 1724 would reduce the fine for driving through an electronic toll without sufficient funds. As we stated previously with respect to PS 642 in our letter, dated July 25, 2018, such legislation deprives the General Fund of revenues that the fiscal plan assumes will be collected and are the basis of revenue projections in the fiscal plan. The Oversight Board maintains its position that any legislation that reduces the fines collected for toll violations is inconsistent with the fiscal plan.

* * *

The Oversight Board believes that the pieces of legislation included in this letter are directly contrary to the certified fiscal plan for the Commonwealth and are inconsistent with the purposes of PROMESA. The Oversight Board looks forward to working with you to ensure continued compliance with the Commonwealth's certified fiscal plan.

Sincerely,

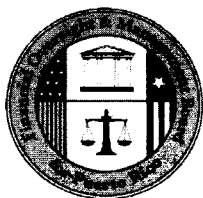


Natalie A. Jaresko

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CC: Christian Sobrino Vega

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September 4, 2018

The Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

We write to inform you that, based on its interpretation and analysis, the Oversight Board has concluded that PS 879 as approved by both the Senate and the House of Representatives of Puerto Rico is inconsistent with the certified Fiscal Plan for the Commonwealth.

Nonetheless, the Oversight Board understands the logic of this legislation. Therefore, the Board is willing to amend the certified Fiscal Plan for the Commonwealth to allow for the municipality exemption contemplated by PS 879, provided that PS 879 is amended such that the exemption terminates by September 30, 2019, which is when the full federal reimbursement ends, instead of extending it through the end of fiscal year 2020. However, taking into account the reduction in municipality payments, the Commonwealth would need to identify appropriate reappropriations within the budget if it wishes to maintain the expenditure level at ASES that is not covered by federal funds.

The Oversight Board understands that municipalities currently face tough financial realities and is committed to working on a long-term sustainable solution for municipal financing, including municipal contributions to ASES. The Oversight Board looks forward to working with you to ensure continued compliance with the Commonwealth's certified fiscal plan.

Sincerely,

Natalie A. Jaresko
Natalie A. Jaresko

Honorable Ricardo A. Rosselló Nevares
Honorable Thomas Rivera Schatz
Honorable Carlos J. Méndez Núñez
September 4, 2018
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Raúl Maldonado Gautier