

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



José B. Carrión III
Chair

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*Natalie A. Jaresko
Executive Director*

BY ELECTRONIC MAIL

August 30, 2018

The Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico
La Fortaleza
P.O. Box 9020082
San Juan, PR 00902-0082

Dear Governor Rosselló Nevares:

The Oversight Board is in receipt of COFINA's revised fiscal plan, dated August 27, 2018 (the "Proposed Plan"), and recognizes the efforts that COFINA has put into developing a fiscal plan in such a short period of time. Nonetheless, the Oversight Board has determined that the Proposed Plan requires certain revisions before the Oversight Board can certify it as compliant with the requirements of PROMESA. The Oversight Board looks forward to continuing to discuss the update to the Proposed Plan, and the violations detailed herein, with you in the coming weeks.¹

While the Proposed Plan largely complied with the requirements established by the Oversight Board in its letter, dated August 22, 2018, which set the schedule for the development and submission of a COFINA fiscal plan, the Proposed Plan requires certain changes and/or explanations. Specifically, the Proposed Plan must revise the claim par amounts to exclude certain unmatured interest and accretion as of the petition date; contains an unnecessary discussion of COFINA's legislature history and other taxes or revenues that are not the pledged SUT; must reflect the fact that any tax law initiative must be tax revenue neutral; and includes questionable growth projections for the SUT. Moreover, the macroeconomic, revenue, and expenditure projections, structural reforms, and fiscal measures must be consistent with those in the certified fiscal plan for the Commonwealth, as described in the Oversight Board's notice of violation regarding the Commonwealth's fiscal plan, dated August 30, 2018.

In addition, in light of the plan support agreement and term sheet that were announced on August 30, 2018 by the Oversight Board, the Government, and certain creditors of COFINA, the Proposed Plan also must be revised to incorporate the terms of the debt restructuring deal as reflected in the plan support agreement and term sheet.

¹ This letter serves as the notice of violation pursuant to Section 201(c)(3)(B).

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The Oversight Board appreciates the effort put into developing a fiscal plan for COFINA on an expedited timeline. The Oversight Board specifies 12:00pm AST on September 7, 2018 as the deadline for submitting a revised, proposed fiscal plan, including all financial models.

Sincerely,



Natalie A. Jaresko

Andrew G. Biggs

José B. Carrión

Carlos M. García

Arthur J. González

José R. González

Ana J. Matosantos

David A. Skeel, Jr.

CC: Christian Sobrino Vega