



THE PUERTO RICO PENSION HEIST

Hedge Fund Vultures and Revolving Door Bankers
are Trying to Loot Puerto Rico's Retirement System



I. Introduction

Time is running out for retirees in Puerto Rico in the struggle to preserve their pensions: the Financial Oversight and Management Board has proposed cuts that would take effect July 1, 2019.¹ If those cuts go through, around 167,000 families will be affected immediately in this new attack against Puerto Ricans' living conditions.² Vulture funds, on the other hand, stand to rake in millions in profits at the expense of the suffering of thousands.

Rather than helping retirees take care of their families, the pension cuts will instead channel the money to hedge fund billionaires to pay for their extravagant lifestyles.

But retirees can still fight back by mobilizing against the upcoming debt deal, pressing the legislature to vote against the bill allowing the restructuring, voting against the debt adjustment plan, and pressuring judge Laura Taylor Swain to not approve the plan.

The context. The oversight board is in the middle of negotiations concerning the Commonwealth's debt adjustment plan, the second largest portion of Puerto Rico's debt. What is at stake is the central government's general fund, where most of the budget allocations for agencies come from, including pension allocations. The retirement system's future funding will be decided, and the more the bondholders get paid – specifically, bondholders with general obligation and pension system debt – the less there will be for retirees.³

Illegal debt? The Unsecured Creditors Committee recently challenged the legality of \$3 billion in pension bonds. The committee filed a motion requesting that the debt be declared null and void, on the grounds that the system did not have the legal authority to issue bonds.⁴ This is on top of the \$6 billion in general obligation bonds that the

¹ See page 124: <https://drive.google.com/file/d/17ca0ALe7vpYn0jEzTz3RfykpsFSM0ujK/view>

² Summing up all retirees of the three systems (not counting active employees):
https://drive.google.com/file/d/1Jz1f_rhVTtVfboPLO-AopCWyuJK8d3zV/view

³ General obligation bonds are bonds backed by the credit and taxing power of the state.

⁴ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA2MDEw&id2=0>

oversight board is seeking to invalidate.⁵ These bonds were underwritten by big banks, like Barclays, UBS, Popular, Morgan Stanley, and Santander.

Conflicts of interest. Once again – as is the case with former Santander executives sitting on the oversight board – one of the revolving door officials who helped cause the pension crisis is also playing a key role in the bankruptcy process. The official, Héctor Mayol, is a lawyer for the Official Committee of Retirees, the group appointed to represent retiree interests in the Title III process. As administrator of the retirement systems from 2009 to 2013, he imposed steep cuts to retiree benefits. Even more troubling is the fact that he was one of the underwriters of the controversial \$3 billion in pension bond issuances that are now owned by aggressive vulture funds. This debt is a direct threat to retirees’ pensions, and its legality has been brought up in court.⁶

Both past roles would seem to conflict with Mayol’s ability to represent the interests of retirees. For example, how can Mayol participate in the evaluation of the arguments of the legality of these bonds if he personally underwrote these same bonds? So far, these conflicts of interest have not attracted scrutiny.

It is worth mentioning that the Employees’ Retirement System (ERS) bondholders filed a motion to remove the Unsecured Creditors Committee from any negotiations regarding the ERS debt, and have requested instead that the Official Committee of Retirees to step in.⁷ As of the release of this report, the Official Committee of Retirees has not joined requests to declare parts of the debt illegal, like the \$6 billion in general obligation bonds that the oversight board is trying to invalidate, and the over \$3 billion in pension bonds previously mentioned.

The hedge fund vultures profiting. Two big groups of vulture funds are angling to profit from pension cuts: those who own general obligation bonds and those who own pension bonds. Several familiar names are part of the negotiations, including Canyon Capital, GoldenTree, Whitebox Advisors, and Taconic Capital, who were key players in the making of COFINA’s debt adjustment plan. Mason Capital has tripled its investments in pension bonds in the last two years, and it is also a significant general obligation bondholder.

⁵ <https://public-accountability.org/report/six-billion-reasons-to-go-after-the-banks/>

⁶ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA2MDEw&id2=0>

⁷ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA4NTA2&id2=0>

II. Deep pension cuts

The proposed pension cuts will impact three retirement systems: The Teachers' (TRS), the Judicial (JRS), and the Employees' Retirement Systems (ERS). All three are operated by the central government, with 42,000, 470, and 125,000 retirees, respectively (80,000, 840, and 245,000 beneficiaries, counting active employees).⁸ In May 2017, the oversight board filed for bankruptcy for the ERS under Title III of PROMESA.

Participants in the three systems contributed a portion of their salaries during their working careers. But government mismanagement and Wall Street debt profiteering have had a devastating effect on the systems, and now vulture funds are poised to further pillage the pension fund as a result.

The government has consistently under-funded the retirement system, accumulating debts to its beneficiaries year after year.⁹ In the case of ERS, to help alleviate this underfunding, three bond issuances were made in 2008, as Wall Street entered a historic financial crisis, to help stabilize the beleaguered system. It only made things worse, resulting in billions of dollars in debts that are now owned by vulture funds.

The oversight board is contemplating an average 10% reduction in pensions, depending on the income of each beneficiary. For the board to achieve that, it must file and approve the Commonwealth's debt adjustment plan, which will need a bill from the legislature and a voting process in which all creditors with impaired claims against the central government can participate. The plan must then be approved by the federal judge overseeing the process, Judge Laura Taylor Swain. Below is a table with the distribution of benefit reduction:¹⁰

⁸ https://drive.google.com/file/d/1Jz1f_rhVTtVfboPL0-AopCWyuJK8d3zV/view

⁹ Page 3: <https://www.documentcloud.org/documents/5743763-Conway-Mackenzie-ERS.html>

¹⁰ Pages 122-123: <https://drive.google.com/file/d/17ca0ALe7vpYn0jEzTz3RfykpsFSM0ujK/view>

Table: Distribution of Benefit Cuts	
Benefit Reduction	% of Retirees
No cuts	25%
Up to 5%	18%
5-10%	16%
10-15%	23%
15-20%	14%
20-25%	4%

It follows that, if the cuts are imposed, three in every four retirees, around 125,000 families, will suffer immediately from reductions in their biweekly income. Of course, this will depend on the outcome of the current negotiations, so these cuts could either be stopped by retirees' mobilization or become much deeper.

The unfunded liabilities of the three retirement systems are staggering: 1) ERS - \$38 billion (plus \$3 billion in bonded debt); 2) TRS - \$18 billion; 3) JRS - \$700 million.¹¹ In the case of ERS, the bonded debt adds another weight to its critical situation. However, this will depend on the court's decision about the legality of the \$3 billion pension bonds. If they are declared null and void there will be more funds for retirees' pensions.

The disparity between the two groups with claims on the pension funds is dramatic: while for vulture funds payments from bonds represent one (albeit significant) income stream out of many, for retirees their pensions mean a source of stability in a country where 44% of the population lives below the federal poverty level.¹²

¹¹ Page 118: <https://drive.google.com/file/d/17ca0ALe7vpYn0jEzTz3RfykpsFSM0ujK/view>

¹² <https://www.census.gov/quickfacts/fact/table/pr/IPE120217>

III. Vulture funds on the attack

There are two groups of vulture funds that are positioned to profit from pension cuts: those who own general obligation bonds and those who own ERS pension bonds. Again, both of these groups have an interest in cutting pensions for retirees as deeply as they can because paying out less to the retirees that paid into the system frees up more money for vulture funds to extract through debt payments.

The general obligation bondholders are now organized in four coalitions: The Commonwealth, the Constitutional, the General Obligation, and the Lawful Constitutional groups. The below table shows each fund’s investments in general obligation debt and group memberships:

Funds and Their Investments in the General Obligation Bonds¹³			
Funds	Disclosure date	Bonds	Coalition
Brigade Capital Management LP	March 8, 2019	\$166,104,000	Commonwealth Group
Brookfield Asset Management Private Institutional Capital Adviser (Credit) LLC	March 8, 2019	\$18,500,000	Commonwealth Group
Canyon Capital Advisors LLC	March 8, 2019	\$680,949,895	Commonwealth Group
Davidson Kempner Capital Management LP	March 8, 2019	\$445,127,000	Commonwealth Group
OZ Management LP	March 8, 2019	\$299,966,000	Commonwealth Group
BlackRock Financial	March 27, 2019	\$258,506,000	Constitutional

¹³ Commonwealth Group: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA1NDQw&id2=0>, Constitutional Group: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAyODM3&id2=0>, GO Group: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA1NDUx&id2=0>, Lawful Constitutional Group: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA2Nzcw&id2=0>

Management			Group
Candlewood Investment Group LP	March 27, 2019	\$16,630,000	Constitutional Group
Deutsche Bank Securities, Inc.	March 27, 2019	\$32,657,000	Constitutional Group
Emso Asset Management Limited	March 27, 2019	\$392,095,000	Constitutional Group
Fir Tree Partners	March 27, 2019	\$390,486,000	Constitutional Group
First Pacific Advisors LLC	March 27, 2019	\$196,330,000	Constitutional Group
Mason Capital Management LLC	March 27, 2019	\$468,056,000	Constitutional Group
Silver Point Capital	March 27, 2019	\$62,824,000	Constitutional Group
VR Advisory Services, Ltd.	March 27, 2019	\$461,237,000	Constitutional Group
Aurelius Capital Management LP	March 8, 2019	\$360,672,428	GO Group
Autonomy Capital (Jersey) LP	March 8, 2019	\$1,134,727,000	GO Group
GoldenTree Asset Management	March 18, 2019	\$383,310,000	Lawful Constitutional Group
Whitebox Advisors LLC	March 18, 2019	\$162,853,000	Lawful Constitutional Group
Monarch Alternative Capital LP	March 18, 2019	\$357,586,249	Lawful Constitutional Group
Taconic Capital Advisors LP	March 18, 2019	\$137,494,522	Lawful Constitutional Group

Canyon Capital, GoldenTree, Whitebox Advisors, and Taconic Capital were key players in the COFINA negotiations that led to the approval of COFINA’s debt adjustment plan. They have been increasing their Commonwealth investments consistently in the last months. The Lawful Constitutional Group hired Quinn Emanuel Urquhart & Sullivan as their legal counsel – the same law firm that represented vulture funds in the COFINA negotiations.

The more than \$3 billion in ERS bonded debt is also mostly owned by hedge funds. They are organized as the ERS Secured Creditors group, the principal coalition of bondholders allied in the pension system’s bankruptcy process.

Also, UBS-managed funds (formally, the Puerto Rico funds) owned a significant portion of this debt. It must be noted that UBS is the single largest owner of these bonds. Below is a table with their investments in ERS bonds:

Funds and Their Investments in Pension Bonds¹⁴		
Funds	Investments as of	ERS bonds
Appaloosa Management (Andalusian Global Designated Activity Company)	February 20, 2019	\$208,470,000
Pentwater (Crown/PW SP, LMA SPC, Ocean Master Fund Ltd.)	February 20, 2019	\$221,861,847
Glendon Capital Management (Glendon Opportunities Fund LP)	February 20, 2019	\$4,000,000
Mason Capital Master Fund, LP	February 20, 2019	\$439,611,992
Oaktree Capital Management	February 20, 2019	\$233,665,000

¹⁴ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA0MzMy&id2=0>

King Street Capital Management (Ocher Rose LLC)	February 20, 2019	\$130,170,115
Centerbridge (SV Credit LP)	February 20, 2019	\$137,368,644
UBS managed funds ¹⁵	February 28, 2019	\$927,070,000

In the case of hedge funds, they took advantage of Puerto Rico’s debt crisis and its credit degradation in 2014 to buy ERS bonds for pennies on the dollar. Now they are using their vast financial resources to battle in court to get paid as much as possible.

Recently, hedge fund bondholders filed a motion in court requesting that the ERS be put under receivership,¹⁶ alleging the oversight board has conflicts of interest in representing both the ERS and the central government, which owes the retirement system billions of dollars.¹⁷ However, days later the bondholders and the oversight board reached an agreement: the oversight board requested the extension of the deadline for claims against the central government and the hedge funds withdrew the receivership request.¹⁸

While some hedge funds have been winding down their ERS investments, Mason Capital has stood out as an aggressive buyer since the onset of the bankruptcy process. Court documents show that Mason Capital has more than tripled its investment in ERS bonds from August 2017 to February 2019, with \$439.6 million in holdings.¹⁹ As shown above, Mason also holds a significant portion of Commonwealth bonds, with \$468 million in holdings, meaning that it is well positioned in the current negotiations both as a Commonwealth and ERS bondholder. In total, Mason owns \$907 million in ERS and general obligation debt.

Swiss bank UBS has also been part of these legal offensives. Ironically, UBS was one of the key players involved in the three controversial bond issuances of 2008. Exploiting

¹⁵ <https://www.ubs.com/us/en/wealth/misc/puertoricofunds.html>

¹⁶ In a bankruptcy process, a receivership means that the court appoints a person or an independent entity to manage the assets in controversy.

¹⁷ <https://cases.primclerk.com/puertorico/Home-DownloadPDF?id1=OTA0MTcw&id2=0>

¹⁸ Deadline extension: <https://cases.primclerk.com/puertorico/Home-DownloadPDF?id1=OTA0Nzc5&id2=0>, withdrawal: <https://cases.primclerk.com/puertorico/Home-DownloadPDF?id1=OTA0ODI2&id2=0>

¹⁹ <https://cases.primclerk.com/puertorico/Home-DownloadPDF?id1=NzAxMjEz&id2=0>

Puerto Rico's exclusion from the Investment Company Act of 1940, the bank not only served as advisor for the transaction, but was also lead underwriter for all of the issuances and then sold them to its own clients through its managed funds – the same funds that are now participating in the legal proceedings along with hedge funds.²⁰

UBS, along with the other underwriters, pocketed around \$35 million in these three bond issuances.²¹

On the other hand, it was revealed in a legislative investigation that the president of the Government Development Bank at that time, Jorge Irizarry Herrans, chaired the investment committee of the ERS, where he met with UBS advisers, including UBS official Juan Guillermo Herrans Barreras, with whom Irizarry has family ties.²²

Irizarry currently serves as the executive director of Bonistas del Patio (Backyard Bondholders), a pro-Wall Street nonprofit purporting to represent local bondholders in the Title III cases. The group has campaigned very actively in favor of the restructuring agreements negotiated by the oversight board with the vulture funds, including the COFINA agreement. The Fiscal Agency and Financial Advisory Authority (AAFAF, by its Spanish acronym) sought to pay the group \$7 million with public funds for services that were not clearly delineated, a move which was challenged by the Unsecured Creditors Committee.²³ The issue is still unsolved in court.

²⁰ <https://www.cnbc.com/2017/12/18/the-77-year-old-loophole-that-created-puerto-ricos-unique-market.html>

²¹ See "Use of Proceeds" section: Here, <https://emma.msrb.org/MD533965.pdf> ; here <https://emma.msrb.org/MS621276.pdf> ; and here <https://emma.msrb.org/MD507511.pdf>

²² Page 34: <http://www.oslpr.org/2009-2012/%7B1CC606BA-2BE8-4073-90F5-79783099B36A%7D.doc> ; press coverage: <https://www.noticel.com/economia/aceptan-doble-movida-de-ubs/664831104>

²³ AAFAF's request: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAzNzQ4&id2=0> ; UCC opposition: <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAzNzc0&id2=0>

IV. From bond dealer to official counsel for retirees: Héctor Mayol's conflicts of interest

With vulture funds circling and their pensions on the line, retirees need strong legal representation in the Title III process. But one of their key lawyers, Héctor Mayol, is deeply conflicted, having played a significant role in causing the current crisis. His continued role in it threatens to undermine the integrity of the process.

Retirees have legal representation in Title III cases through the Official Committee of Retirees. This committee is one of two appointed by the US Trustee of the Department of Justice (the other is the Unsecured Creditors Committee, UCC) to represent pensioners in Puerto Rico's bankruptcy. All of their expenses, including legal representation and financial counseling, are paid for with public funds. From the beginning of the bankruptcy, the Official Committee of Retirees hired Bennazar, García & Milián as their legal representatives, where Mayol serves as one of their lawyers.²⁴

Over the past decade, Mayol has been a key player in all things related to pensions in Puerto Rico. When he worked in the private financial sector, he was underwriter of the bonds issued by the Employers' Retirement System (ERS) in 2008. He then became administrator of the ERS from 2009-2013, during which time he imposed cuts to retirees' benefits. Now he is one of the lawyers of the Official Committee of Retirees representing pensioners in the Title III (bankruptcy-like) process (2017-present).

Mayol was involved in the 2008 ERS bond issuances as managing director of securities firm Samuel A. Ramírez & Co., where he was recruited sometime in 2005.²⁵ In 2008, the ERS issued three bonds, totaling just over \$3 billion in an effort to compensate for decades of unmet employer contributions to the retirement system. The strategy proved disastrous, instead exacerbating the crisis. Samuel A. Ramírez & Co. underwrote two of these issuances.²⁶ According to a news outlet, Mayol was one of

²⁴ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=NjU1MjU0&id2=0>

²⁵ <http://www.puertorico-herald.org/issues2/2005/vol09n26/CBSecuritiesFrm.html>

²⁶ These two issuances: <http://www.retiro.pr.gov/wp-content/uploads/PensionBondsOS-Jan08-final.pdf> ; and http://www.retiro.pr.gov/wp-content/uploads/ERSSeniorPensionFundingBonds-SeriesC_000.pdf

the signatories of the deal.²⁷ Furthermore, in a 2013 interview, while still serving as the administrator of the ERS, Mayol confirmed that he bought “around 50 thousand dollars’ worth of those bonds, which are still in my portfolio, and I encourage anyone who wants to buy them to do it because it is a magnificent investment.”²⁸

Mayol’s tenure as pension fund administrator started in 2009, when Governor Fortuño appointed him to direct both the ERS and the Teachers’ Retirement System. He would serve until August 2013, six months into the administration of García Padilla. One of his most polarizing decisions was to promote Act 3-2013, a sweeping pension reform that retroactively cut benefits and raised the age for retirement. Protests demanding his resignation ensued.²⁹

In September 2011, in response to a report by consulting firm Conway Mackenzie regarding the causes leading to the critical situation of the ERS, a group of retirees filed a derivative class-action lawsuit against several of the bonds’ underwriters and the trustees that authorized them, including Mayol, citing their failure to take legal action against those responsible for the controversial transactions.³⁰ The suit was for violation of fiduciary duties, breach of contract, and damages.³¹

In September 2016 the ERS formally joined the suit as plaintiff.³² The remaining defendants were three banks and one individual: UBS, Santander, Samuel A. Ramírez & Co., and Héctor Mayol. The suit said that Mayol, as administrator of the system, hid the findings of the Conway Mackenzie report from the ERS’s board of trustees, lied in a trustees’ meeting about a non-existent legal opinion of Puerto Rico’s then-secretary of justice, and had a severe conflict of interest because he was part of Samuel A. Ramírez & Co when the transaction was made.³³

Nevertheless, Mayol is no longer among the defendants after apparently reaching an agreement with the plaintiffs.

²⁷ <https://www.noticel.com/ahora/jefe-de-retiro-vendi-los-mismos-bonos-que-jorobaron-la-agencia/608592437>

²⁸ Original: “como 50 mil de esos bonos, que los tengo todavía en mi cartera y exhorto a todos lo que lo quieran comprar que los compren porque es una magnifica inversión”: <https://www.noticel.com/ahora/mayol-invita-a-invertir-en-el-prcticamente-quebrado-sistema-de-retiro/608020244>

²⁹ https://www.noticel.com/ahora/quotla-proteta-que-es-frente-a-ubsquot-galera_2017082206183131/608443361 ; https://www.wapa.tv/noticias/locales/empleados-publicos-se-manifiestan-contra-agp_20130411192837.html

³⁰ Report here: <https://www.documentcloud.org/documents/5743763-Conway-Mackenzie-ERS.html>

³¹ Case number K AC2011-1067

³² <http://sincomillas.com/la-administracion-de-retiro-demanda-ubs/>

³³ <http://www.ramajudicial.pr/ta/2017/KLCE201700991-30062017.pdf>

Mayol's role in these controversial bond issuances should disqualify him from representing retirees in Title III proceedings. For example, how can the Official Committee of Retirees question the legality of these pension bonds if one of their lawyers was underwriter of those same bonds?

As of March 18, 2019, Bennazar, García & Milián had a total compensation approved of over \$1 million since the commencement of the bankruptcy. Mayol is billing \$375 per hour.³⁴ All payments come from public funds.

³⁴ <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTA2Nzg2&id2=0>

V. Where the profits go: Lavish lifestyles

If the pension cuts proposed are approved, money that should stay in retirees' pockets, so they can take care of their families will help pay for the lavish lifestyles and eccentric tastes of vulture fund executives.

Mason Capital

Mason Capital principal and co-founder Kenneth Garschina is a multi-millionaire who uses his wealth to fund an anti-union think tank that also publishes far-right racist articles while treating his family to an astounding array of extravagances.

Garschina is a member of the board of trustees of the Manhattan Institute, a New York City conservative think tank backed by many prominent hedge fund managers, and known for aggressively advocating cuts to public spending and pensions.³⁵ The think tank's magazine, *City Journal*, regularly publishes racist and Islamophobic articles, including a recent piece reacting to the Christchurch massacre in New Zealand that asserted that the killer's obsession with Muslim immigration was a "legitimate concern."³⁶

Garschina is married to Sara Story, an interior designer from Texas. Several of the design projects featured on her website appear to be her own homes.³⁷

The couple shares a lavish life. They own a 500-acre ranch named SK Ranch, located in the Hill Country region of Texas.³⁸ The ranch boasts a seven-bedroom house, a tennis court, a cedar pavilion, horsehair walls, and an infinity pool with its own glass house. The ranch has llamas, sheep, turkeys, javelinas, and white-tailed deer.

³⁵ <https://www.manhattan-institute.org/board-of-trustees>

³⁶ <https://www.city-journal.org/new-zealand-massacre> ; the Manhattan Institute reacted to a LittleSis article critiquing this. See: <https://news.littlesis.org/2019/03/19/hedge-fund-backed-think-tank-manhattan-institute-publishes-blog-post-sympathizing-with-killer-the-day-after-christchurch-terror-attack/>

³⁷ <http://www.sarastorydesign.com>

³⁸ <https://www.papercitymag.com/real-estate/the-story-of-sara/> and

Garschina and Story also have a townhouse in Gramercy Park, New York City where they regularly throw parties featuring items like \$1,000 candlesticks, \$300 dishes, and \$250 personal florals.³⁹ The family also loves to play elephant polo in Thailand.⁴⁰

They can pay for all of this, in part, because Garchina makes a great deal of money from Mason Capital. While his compensation is not publicly disclosed, he owns between 50% and 75% stake in the firm.⁴¹ With almost \$3 billion in assets under management and considerable management and performance-based fees, the fancy ranch and townhouse likely represent just a small slice of their overall net worth.⁴²

Canyon Capital Advisors

Another example of the Wall Street excess that Puerto Rico pension cuts would pay for can be found with Canyon Capital's founder and principal Joshua Friedman. Canyon owns over \$680 million in general obligation bonds, making them one of the key players in the current negotiations. As of November 2018, the hedge fund also had over a quarter of a billion dollars in COFINA bonds, from which it likely earned an estimated \$93.5 million in profits after the approval of COFINA's debt adjustment plan.⁴³ Friedman is a member of various board of trustees, including the Los Angeles County Museum of Art (LACMA), the California Institute of Technology, and the Andrew W. Mellon Foundation.⁴⁴

Friedman's net worth is likely even bigger than Garschina's. Along with his wife Beth Friedman, they have in their names various trusts with controlling power of the company, which has around \$22.4 billion in assets under management.⁴⁵

³⁹ <https://www.harpersbazaar.com/culture/interiors-entertaining/g10263056/sara-story-stylish-dining-tips/>

⁴⁰ <https://myemail.constantcontact.com/The-Elephant-Story-Blog-Update--The-Third-Annual-Elephant-Story-Invitational-Elephant-Polo-Tournament--June-16-18-Moo-Baan-Chang.html?soid=1111568351599&aid=jmh3FP6gGMQ>

⁴¹

https://www.adviserinfo.sec.gov/IAPD/content/viewform/adv/Sections/iapd_AdvScheduleASection.aspx?ORG_PK=158797&FLNG_PK=008CBC2A0008019D00E9C3C101627281056C8CC0

⁴²

https://www.adviserinfo.sec.gov/IAPD/content/viewform/adv/Sections/iapd_AdvAdvisoryBusinessSection.aspx?ORG_PK=158797&FLNG_PK=008CBC2A0008019D00E9C3C101627281056C8CC0

⁴³ <https://news.littlesis.org/2018/11/20/the-cofina-agreement-part-2-profits-for-the-few/>

⁴⁴ LACMA: <http://www.lacma.org/about#leadership> ; California Institute of Technology:

<http://bot.caltech.edu/trustees> ; the Andrew W. Mellon Foundation: <https://mellon.org/about/trustees/>

⁴⁵ Assets under management:

https://www.adviserinfo.sec.gov/IAPD/content/viewform/adv/Sections/iapd_AdvAdvisoryBusinessSection.aspx?ORG_PK=107922&FLNG_PK=02D8CF0A0008019D0395F80101694A11056C8CC0 ; Ownership:

Friedman owns a mansion in Montecito, Santa Barbara County, California,⁴⁶ worth an assessed value of \$24 million as of 2018.⁴⁷ The seven-bedroom, six-bathroom property has two garages that measure 882 and 994 feet, respectively, a pool cabana of around 666 feet, a guest house, and a studio.⁴⁸

https://www.adviserinfo.sec.gov/IAPD/content/viewform/adv/Sections/iapd_AdvScheduleBSection.aspx?ORG_PK=107922&FLNG_PK=02D8CF0A0008019D0395F80101694A11056C8CC0

⁴⁶ <https://pagesix.com/2014/08/29/hedgie-making-neighbors-angry-with-constant-construction/>

⁴⁷ <http://sbcassessor.com/assessor/details.aspx?apn=007100007>

⁴⁸ Note Beth Friedman's name and property information in the first document and compare with the second document: <http://sbcountyplanning.org/PDF/boards/subdivis/05-15-2014/05-15-14%20%20SDRC%20SPC%20Agenda.pdf> ; and <http://sbcountyplanning.org/PDF/boards/mbar/08-13-2012/8-13-12.pdf>

VI. Retirees can fight back

Retirees with public pensions can fight back during the opening of the upcoming restructuring process. In addition to mobilization and protest, there are three ways they can make themselves heard.

Retirees can and should put pressure on the Official Committee of Retirees.⁴⁹ Its members are themselves public-sector retirees, appointed by the US Trustee, which is the US Department of Justice program overseeing all bankruptcy cases.⁵⁰ The Committee has a fiduciary duty to represent the interests of all government retirees in Puerto Rico.

Retirees should hold this committee accountable for its actions, or lack thereof. When other parties like the Unsecured Creditors Committee or AAFAF, or even the oversight board, have challenged the legality of bonds, which would free up significant resources to pay for retirees' pensions, the Retirees' Committee has not joined. This is the case with the \$6 billion in general obligation bonds that the UCC and the oversight board requested be declared null and void in January 2019. Even more telling is the fact that the committee of retirees has not joined the previously mentioned UCC motion to declare null and void over \$3 billion in pension bonds that directly threaten the retirement system.

The Committee must be held accountable for contracting a lawyer with as many deep conflicts of interest as Mayol.

Outside of the Retiree's Committee, the Commonwealth's debt adjustment plan, where any pension cuts would be decided, will require a legislative package be approved by Puerto Rico's elected legislature as a condition precedent to authorizing any restructuring deal. This means retirees can put pressure on their representatives to vote against any plan of adjustment that might bring pension cuts.

Finally, the debt adjustment plan will require approval through a voting process in which all creditors with impaired claims - from bondholders to government workers

⁴⁹Website: <https://www.porturetiro.com/home.html> ; FB: <https://www.facebook.com/CORpuertorico/>

⁵⁰ <https://www.law.cornell.edu/uscode/text/11/1102>

and retirees - can participate. It is not a fully democratic process since only creditors with formally recognized impaired claims can participate. Although the vote is partially weighted in favor of creditors with larger debt holdings, as would be the case for vulture funds with massive holdings, this voting process will also require a simple majority vote by creditors, regardless of the value of their debt holding. Retirees should use this opening, and get as many votes in as they can, since no number of funds will be able to mobilize anywhere near the same number of individual bondholders as there are participants to these retirement systems. Retirees living in the United States can also vote.

In the voting process, creditors will be organized in groups according to the debt/claims they hold. To win each group, the debt adjustment plan must achieve two things: 1) a simple majority of the individual votes (50+1 votes) tallied, and 2) a 2/3 majority of the group's total debt holdings.⁵¹ However, it only takes one group to accomplish both objectives in order to empower the oversight board to petition the judge to approve the plan and impose it on the other groups - a process known as a cramdown.⁵²

Stopping the pension cuts is possible. The dissemination of reliable and precise information about what is going on is indispensable in this struggle. With organization and strategic actions, retirees have a shot at stopping this very unjust imposition.

⁵¹ Section 301 of PROMESA allows the application of section 1126(c) of the US Bankruptcy Code: See: <https://www.law.cornell.edu/uscode/text/11/1126>

⁵² Section 301 of PROMESA allows the application of section 1129(b) of the US Bankruptcy Code. See: <https://www.law.cornell.edu/uscode/text/11/1129>