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October 22, 2013

Puerto Rico Sales Tax Financing Corporation
San Juan, Puerto Rico

Ladies and Gentlemen:

Attached is a copy of the opinion we delivered as Bond Counsel to the Puerto Rico Sales Tax Financing Corporation ("COFINA") on December 13, 2011 (the "Opinion") relating to the treatment of the Pledged Sales Tax (as such term is defined in the Opinion) under the Constitution of the Commonwealth of Puerto Rico. We hereby consent to the Opinion being made available on the Government Development Bank website and to the filing of this Opinion on the EMMA system. **This Opinion is being made available for informational purposes only.**

We note that the Opinion is subject to all of the qualifications and assumptions set forth therein and that, in the absence of Puerto Rico precedents which are controlling or directly on point, the Opinion relies entirely on precedents from other jurisdictions.

No purchaser or holder of COFINA securities is entitled to rely on the Opinion and no advice under such Opinion is rendered to any such purchaser or holder of COFINA securities. Purchasers or holders of COFINA securities should consult their own legal advisors as to (a) such legal advisor's own analysis and conclusions of the treatment of the Pledged Sales Tax, (b) any current laws and court decisions which could adversely affect the conclusions of the Opinion and (c) any changes or amendments, since the date of the Opinion, to (i) COFINA's authorizing act or (ii) the collection, treatment, suspension, limitation or exemption of the Commonwealth's sales and use tax.

An opinion of counsel is not a prediction of what a particular court (including any appellate court) that reached the issue on the merits would hold, but, instead, is the opinion of such counsel as to the proper result to be reached by a court applying existing legal rules to the facts as properly found after appropriate briefing and argument. In addition, an opinion is not a guarantee, warranty or representation, but rather reflects the informed professional judgment of such counsel as to specific questions of law. Opinions of counsel are not binding on any court or party to a court proceeding. A court's decision regarding the matters upon which a lawyer is opining would be based on such court's own analysis and interpretation of the factual evidence before it and of applicable legal principles.

Respectfully submitted,

Nixon Peabody LLP

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December 13, 2011

To Each of the Addressees Named on Exhibit A Hereto

We are serving as Bond Counsel to the Puerto Rico Sales Tax Financing Corporation (the "Corporation") in connection with its issuance on the date hereof of $1,006,474,702 aggregate principal amount at issuance of Sales Tax Revenue Bonds, Senior Series 2011C (the "Series 2011C Bonds") and $91,155,000 aggregate principal amount of Sales Tax Revenue Bonds, Senior Series 2011D (the "Series 2011D Bonds," and together with the Series 2011C Bonds, the "Series 2011 Bonds") pursuant to the provisions of certain resolutions adopted by the Corporation on July 13, 2007 and December 1, 2011 (collectively, as amended and supplemented to the date hereof, the "Resolution").

The Corporation. Act No. 91 of May 13, 2006, as amended ("Act 91"), created the Corporation as a public corporation and instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), constituting a corporate and political entity independent and separate from the Commonwealth. P.R.LAWS ANN. TIT. 13, § 12 (2006). The Corporation was created to address a financial and economic situation that Act 91 describes as one of the worst fiscal crises in the Commonwealth's history. The Board of Directors of the Corporation is the Board of Directors of the Government Development Bank for Puerto Rico ("GDB").

The Bonds. The Series 2011 Bonds are primarily secured by a security interest granted by the Corporation in its receipts of a portion (and the right to receive the same) of the sales and use tax imposed by law in the Commonwealth. Such portion of the sales and use tax (including the additional portions designated in amendments to Act 91), and the right to receive the same (referred to herein and in the Resolution as the "Pledged Sales Tax"), were, by the terms of Act 91, made the property of the Corporation, and not the property of the Commonwealth Treasury.

The Special Fund. Act 91 creates a special fund (to be known as the Dedicated Sales Tax Fund), to be administered by GDB, and transfers the Dedicated Sales Tax Fund, all funds deposited therein on the effective date of Act 91, and "all the future funds that must be deposited therein pursuant to the provisions of [Act 91]," to the Corporation as property of the Corporation. This transfer is made in consideration for the Corporation's commitment to pay, or establish mechanisms to pay, the debts or other obligations of the Commonwealth set forth in Article 2(b) of Act 91 with net proceeds of bonds issued by the Corporation and with the other funds and resources available to the Corporation.

The Dedicated Sales Tax Fund is required to be funded in each fiscal year by the first collections of a portion of the sales and use tax specified in Article 3 of Act 91 (the "Pledged Sales Tax"). Act 91 requires that the Pledged Sales Tax shall "be directly deposited in the [Dedicated Sales Tax] Fund at the moment of receipt and shall not be deposited in the General Fund of the Commonwealth of Puerto Rico, nor shall it constitute resources available to the Commonwealth of Puerto Rico, nor shall it be available for use by the Secretary of the Treasury of the Commonwealth of Puerto Rico."

In addition, Act 91 provides that "The bonds and other obligations of [the Corporation] shall not constitute a debt or obligation of the Commonwealth of Puerto Rico nor its other public instrumentalities. Neither the Commonwealth of Puerto Rico nor its other public instrumentalities shall be responsible for the payment of such bonds or other obligations, for which the full faith, credit and taxing power of the Commonwealth of Puerto Rico shall not be pledged."

Constitutional Provisions. The Constitution of Puerto Rico provides that "in case the available revenues including surplus for any fiscal year are insufficient to meet the appropriations made for that year, interest on the public debt and amortization thereof shall first be paid, and other disbursements shall thereafter be made in accordance with the order of priorities established by law." P.R. CONST. ART. VI, §8. The Constitution of Puerto Rico also provides in the last paragraph of Section 2 of Article 4 thereof that "the Secretary of the Treasury may be required to apply the available revenues including surplus to the payment of interest on the public debt and the amortization thereof in any case provided for by Section 8 of this Article VI at the suit of any holder of bonds or notes issued in evidence thereof." P.R. CONST. ART. VI, §2.

These provisions of the Constitution of Puerto Rico are sometimes referred to herein as the "Constitutional Debt Priority Provisions." The official English version of the Constitutional Debt Priority Provisions uses the term "available revenues including surplus," but this opinion refers to "available resources including surplus" in translation of the term "recursos" used in the official Spanish version of the provisions.

Questions Addressed. The questions addressed by this opinion are whether (1) Act 91 validly transfers the Pledged Sales Tax, including the Commonwealth's right to receive the Pledged Sales Tax, to the Corporation, (2) said asset and right constitute "available resources including surplus" for purposes of the Constitutional Debt Priority Provisions and therefore are subject to a first claim by the owners of public debt of the Commonwealth (sometimes referred to as the "claw-back") in the event total available resources including surplus for a particular fiscal year are not sufficient for the purposes of meeting appropriations in that fiscal year, and (3) Act 91 validly provides that the Pledged Sales Tax is not available for use by the Secretary of the Treasury of the Commonwealth.

Prior Opinions, Reliance. We have received opinion letters, of even date herewith and addressed to the Corporation, from the Secretary of Justice of Puerto Rico (and the Corporation received opinion letters dated July 31, 2007, June 18, 2009, February 9, 2010, June 30, 2010, June 23, 2011 and November 23, 2011 from the Secretary of Justice on prior transactions of the

Corporation) and the law firm of Pietrantoni Mendez & Alvarez LLP, which is acting as Underwriters' Counsel (the "Puerto Rico Counsel") with respect to, among other things, matters governed by the laws of Puerto Rico. In rendering the opinions expressed herein, we are relying, with the consent of Puerto Rico Counsel, on certain conclusions governed by Puerto Rico law (described below) contained in the letter of Puerto Rico Counsel.

We are relying on the conclusions of Puerto Rico Counsel that the questions addressed herein have never been addressed by the Supreme Court of Puerto Rico, that (1) there is no discussion of the meaning of the term "available resources" in the records of the proceedings of the Puerto Rico Constitutional Convention, (2) there are no precedents in Puerto Rico cases controlling or directly on point with the questions addressed herein, (3) the Puerto Rico Supreme Court has consistently ruled that acts of the Legislature are entitled to a strong presumption of constitutionality and have traditionally showed substantial deference to the Legislature's judgment, especially in matters involving the use of public funds and the regulation of the economy and (4) the Supreme Court of Puerto Rico accords substantial persuasive weight to the opinions of the Secretary of Justice.

Cases Reviewed. The questions presented in this opinion essentially raise the issue of whether certain funds of the Commonwealth may validly be placed beyond the control of the legislative and executive branches of the Commonwealth such that they do not constitute available resources within the meaning of the Constitutional Debt Priority Provisions. This question has arisen in several jurisdictions, usually in the context of whether money becomes part of the state treasury such that the expenditure of such funds cannot be made without an appropriation.

In that context, it is useful to consider cases from other jurisdictions involving state constitutional provisions requiring, in one form or another, that all moneys or revenues received on account of or on behalf of the state from any source be paid into the state's treasury or general fund and spent only pursuant to an appropriation. Notwithstanding these provisions, legislatures have enacted laws over the years diverting specific revenues from the state treasury, dedicating them to a particular purpose and thereby making them unavailable for the general needs of the state, including the ability to pay general obligation bondholders. Court decisions analyzing legislative provisions diverting revenues from the state treasury and dedicating them, without annual appropriation, to a specified purpose form our framework for analyzing Act 91 in light of the Constitutional Debt Priority Provisions.

We have found no case that holds that state constitutional provisions of this type cover all revenues, notwithstanding that these constitutional provisions are often written in all inclusive language. In reviewing that state's provision, the Supreme Judicial Court of Massachusetts stated: "In spite of its language, art. 63 has never been conceived as without exceptions." Opinion of the Justices, 396 Mass. 1201, 1205 (1985).

The New York Court of Appeals stated:

> [N]ot every fund made up of public moneys raised by taxation or otherwise comes within purview of Section 7 of Article VII [the

appropriation clause]. Saratoga Harness Racing v. Agriculture, 238 N.E.2d 730 (1968).[1]

In reviewing legislation that makes exceptions to constitutional appropriation provisions, courts have upheld such legislation when it contains certain features and struck down legislation when all or several of those features are absent. The characteristics identified below are not present in all of the cases reviewed; however, in each case at least one of these elements is relied on by the court. The features that courts have identified as important are the following:

The legislation:

(1) is enacted due to an urgent need;

(2) impresses the revenues with a trust designated for particular beneficiaries and not for the public at large;

(3) requires the revenues to be deposited into a special fund;

(4) provides that the special fund be dedicated exclusively to specified purposes;

(5) provides explicitly that the revenues not be received on account of the state, but rather, be received on account of the entity created to accomplish the specified purposes;

(6) sets forth limitations and conditions governing the disbursement of the revenues, particularly to the effect that (a) the decision regarding the project or projects to be funded with the revenues be subject to varying degrees of legislative, executive or local government involvement or control and (b) the project involve traditional, central and basic governmental activities;

(7) provides a monetary cap, either by dollar amount or formula, on the amount of revenues that may be diverted from the state treasury and spent without an appropriation; and

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[1] The New Jersey Supreme Court, in reviewing that state's constitutional provision, stated: "There is no general mandate that all revenues generated by operation of every department or agency or authority of State government be deposited in the general treasury. In fact, history negates such a view....[T]he omission to write such a mandate into our 1947 charter seems to have been a studied one, and indicative of the purpose to permit the Legislature to decide what revenues should go into the general fund." New Jersey Sports & Exposition Authority v. McCrane, 292 A.2d 545, 553 (N.J. 1972).

The Washington Supreme Court stated: "Arguably the literal language of the constitution would require a legislative appropriation to disburse any funds from the state treasury under the express words of [art. VIII, section 4]. However, for many years, there has stood the commonsense interpretation by this court that the Treasurer may be made custodian of particular funds of a proprietary nature which are held for a specific purpose. Funds so held are distributable without specific legislative appropriation." Municipality of Metro. Seattle v. O'Brien, 544 P.2d 729 (Wash. 1976).

(8) provides that any debt secured by such revenues shall not constitute debt of the state.

Several examples illustrate the analysis courts have employed.

In Opinion of the Justices, the Supreme Judicial Court of Massachusetts considered a bill that would impose on specified business corporations a business infrastructure development assessment payable in the same manner and at the same time as the corporate excise tax. 471 N.E.2d 1266 (1984). The assessment revenues would be used to secure bonds issued by the Massachusetts Development Bank ("Mass/Bank") for infrastructure projects.

The court held that the bill did not violate a section of the Massachusetts Constitution stating that "[a]ll money received on account of the commonwealth from any source whatsoever shall be paid into the treasury thereof." In upholding the bill, the Court relied on, inter alia, provisions of the bill stating that the revenues would be received in trust for designated beneficiaries, dedicated exclusively to Mass/Bank, and disbursed solely in accordance with specified limitations and conditions for carefully defined public purposes.

Rulings from other jurisdictions reach similar conclusions:

- Friedman v. American Surety Co., 151 S.W.2d 570 (Texas 1941) - creation of an Unemployment Compensation Fund as a special fund, held in trust from its inception, separate and apart from State funds, administered by a state created commission, consisting of state excise taxes and providing that the excise taxes are never to be paid into the State Treasury and can be used only for specified purposes for particular beneficiaries does not violate constitutional provision that no money shall be drawn from the Treasury except pursuant to an appropriation;

- Saratoga Harness Racing, 238 N.E.2d 730 (N.Y. 1968) - statute authorizing funds derived from private racing associations authorized to be deposited at inception, not in the State Treasury, but in segregated accounts of the Agriculture and New York State Horse Breeding Development Fund and used only for specified purposes does not violate constitutional provision prohibiting expenditures of State funds without an appropriation;

- Baro v. Murphy, 207 N.E.2d 593 (Ill. 1965) - law enacted to meet a particular need dedicates revenues from State parks, previously deposited in the State Treasury, to be placed in a special trust fund to secure bonds of the State Parks Revenue Bond Commission and used only for specified purposes where state debt is not created does not violate a constitutional provision prohibiting continuing appropriations of State funds. "[The court] upheld the power of the legislature to divert revenues, other than taxes and fees of State officers to a special use, and to eliminate them from the State Treasury." Id. at 462;

- Graham v. Illinois State Toll Highway Authority, 695 N.E.2d 360 (Ill. 1998) - toll revenues, but not state taxes or fees, could be spent without annual legislative

appropriation where the revenues are held in a special fund disbursed only for the purposes specified in the statute and state debt is not created, does not violate a constitutional requirement that the state budget set forth the estimated balance of funds available for appropriation of every department, authority and public corporation of the state and that the General Assembly make appropriations for all expenditures of public funds by the state;

- Tatum v. Wheeless, 178 So. 95 (Miss. 1938) – excises levied by the state legislature on employers doing business in the state and deposited into a trust fund outside the state treasury for the benefit of specific beneficiaries (employees) not subject to Mississippi's constitutional appropriation provision;

- Gipson v. Ingram, 223 S.W.2d 595 (Ark. 1949) – state's appropriation provision refers only to state money that actually reaches the state treasury and does not apply to money collected by state agencies and, pursuant to legislation, held in a separate trust fund and pledged for the benefit of specific beneficiaries;

- New Jersey Sports & Exposition Authority, 292 A.2d 545 (N.J. 1972) - devotion of revenues from pari-mutuel horse racing wagering to public authority to secure its debt and used only for specified purposes where State debt is not created does not violate constitutional appropriation clause prohibiting drawing of money from State Treasury except by annual appropriation;

- Hickel v. Cowper, 874 P.2d 922 (Alaska 1994) – court upheld statute defining "amount available for appropriation" for purposes of a constitutional provision authorizing appropriations from a budget reserve fund when the amount available for appropriation is less than the amount appropriated in the previous year, stating it does not include funds established by the legislature, dedicating funds pursuant to an appropriation to a particular use and authorizing their expenditure without further legislative action, such as the oil and hazardous substance release response fund and seven other funds; amounts available for appropriation includes "all funds over which the legislature has retained the power to appropriate." Id. at 927;

- King County v. Taxpayers of King County, 949 P.2d 1260 (Wash. 1997) - legislation for assisting King County in financing a new stadium for the Seattle Mariners imposes a sales and use tax and authorizes the revenues therefrom to be used solely to secure bonds issued to finance the stadium and related purposes is upheld against claim that the tax is unconstitutionally diverted to the County in violation of state constitutional provision requiring an appropriation for all state money where the purpose for which the funds can be expended is prescribed by statute and the money is paid into a special fund.

Courts have invalidated legislation making exceptions to constitutional appropriation requirements in situations where several of the above described features were absent. In Opinion of the Justices, the Supreme Judicial Court of Massachusetts invalidated a legislative effort to

dedicate funds for the benefit of the Massachusetts Convention Center Authority ("MCCA"). 396 Mass. 1201 (1985). The court found that the proposed legislation failed to provide a significant limit on the purposes for which the MCCA could expend the dedicated revenue. The court distinguished the MCAA legislation from the Mass/Bank bill which required specified State, local and executive control over Mass/Bank's expenditure of funds. The court also faulted the MCCA legislation on the ground that convention centers are not the "traditional, central and basic governmental activities that were the basis of the Mass/Bank proposal." Id. at 1210.

Act 91 follows the Mass/Bank structure rather than the MCCA model. Act 91 requires the Corporation to transfer the proceeds of its bonds and notes to the Commonwealth to allow the Commonwealth to pay its debt and other obligations specified in Article 2(b) of Act 91 (the "Commonwealth Obligations"). The Corporation is authorized to spend the funds assigned to it solely to pay its bonds and notes, related financing expenses and its own operating expenses, and for no other purposes. As such, all expenditures of the Corporation's obligations and of revenues paid to the Corporation are to support public purposes decided by appropriate Commonwealth officials following the provisions specified in the Constitution and laws of the Commonwealth for the incurrence of the Commonwealth Obligations.

While the purposes of Commonwealth Obligations may include public facilities such as convention centers or other purposes which the Massachusetts court considers not traditional, central and basic governmental activities, we believe the more important consideration is the level of executive or legislative control in determining expenditures. We also note that other courts have not followed Massachusetts in restricting exceptions from appropriation or available revenues provisions to traditional governmental activities.

In Anderson v. Regan, 425 N.E. 2d 792 (N.Y. 1981), the court reviewed a practice of the State executive branch of placing Federal funds in the State treasury and disbursing them without an appropriation. Noting that there has been "little or no legislative participation in the expenditure of Federal moneys" and that the Federal funds are placed in the State Treasury, the court held the practice violates New York's constitutional appropriation provision: "When the appropriation rule is bypassed . . . the Legislature is effectively deprived of its right to participate in the spending decisions of the State, and the balance of power is tipped irretrievably in favor of the Executive branch." Id. at 797.

The court contrasted the situation in Anderson with Saratoga Harness Racing. In Saratoga Harness Racing the money at issue never became the property of the state and was never placed in the state treasury. Rather, the money was deposited in a separate fund administered by a "legislatively created public benefit corporation." Id. at 793. The lack of accountability and legislative oversight that raised serious concerns for the court in Anderson was not present in the Saratoga Harness Racing context.

Other examples where courts have invalidated legislation diverting revenues in light of constitutional provisions similar to the Constitutional Debt Priority Provisions include the following: Opinion of the Justices, 300 Mass. 630 (1938) (specified revenue stream not dedicated at time of its creation); Opinion of the Justices, 334 Mass. 716 (1956) (hunting and fishing license and permit fees not impressed with a trust); Dallas County v. McCombs, 140

S.W. 2d 1109 (Tex. 1940) (general ad valorem taxes levied and collected as state revenues could not be diverted).

One of the questions that arises in certain cases is whether it is significant that the money being diverted constitutes tax revenues.[2] Whether the revenues involved are tax revenues or non-tax revenues should not be controlling. This is particularly true with respect to sales and use taxes where the legislature retains the right to abolish the tax entirely, to reduce it or to direct it to another purpose. The critical feature that courts have relied on in reviewing legislation of this type is whether the decision regarding the control over the tax revenues rests with the legislative branch. See e.g., Opinion of the Justices, 334 Mass. 716 (1956), supra, Taxpayers of King County., supra, Friedman., supra.

A separate element of the analysis involves the question of whether owners of the Commonwealth's public debt have a lien or claim on any particular revenues of the Commonwealth such that the diversion of those revenues would constitute an impairment of contract under the contract clause of the Federal Constitution (Art. I, § 10) and the Puerto Rico Constitution (Art. II, § 7).

"Public debt," as referenced in the Constitutional Debt Priority Provisions, refers to debt of the Commonwealth as to which the full faith, credit and taxing power of the Commonwealth are pledged. The general meaning of these terms in jurisdictions across the country is that the governmental body will exercise all of its revenue-producing powers, including the power of taxation, to assure payment of its general obligation debt. As noted in Flushing National Bank v. Municipal Assistance Corporation, 358 N.E. 2d 848 (New York Court of Appeals, 1976), "the effect of such pledge of 'full faith and credit' is not to create a general or special lien or charge upon the unspecified revenues, moneys or income of the obligor not therein specifically obligated to the payment of such bonds, but is to acknowledge an indebtedness for the amount of money received as a consideration for the bonds...." *See also*, Highway District No. 1 v. Fremont County, 185 P. 66 (Idaho S. Ct. 1919) (road and bridge taxes assessed and collected by a highway district were reduced subsequent to a district bond issue, but bondowners were not impaired because the law provided that the highway district was to pay its bonds from a levy of property tax).

In Quirk v. Municipal Assistance Corporation, 363 N.E. 2d 549 (N.Y. 1977) the court reviewed state legislation, enacted in response to the New York City fiscal crisis in the mid-1970s, that suspended a New York City sales tax, and imposed an identical state sales tax for the benefit of a newly-created New York City Municipal Assistance Corporation ("MAC") to be pledged as security for MAC bonds. This matter involved a New York constitutional provision,

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[2] One of the cases that holds that tax revenues cannot be diverted involved general ad valorem tax revenues that were to be used for general governmental purposes. Dallas County v. McCombs, 140 S.W. 2d 1109 (Tex. 1940). See also Green v. Black, 186 N.E. 462 (Ill. 1933). Other cases, in dicta, have suggested that the conclusion reached might or would be different if tax revenues were involved. See e.g., Tatum, Gibson, Baro v. Murphy, supra, Myers v. Alaska Housing Finance Corporation, 68 P.3d 386 (Alaska 2003) (including as a factor in upholding the constitutionality of the sale of tobacco revenues, that such revenues did not constitute traditional kinds of state revenues, like taxes).

similar to the Constitutional Debt Priority Provisions in Puerto Rico, that requires that if appropriations by a municipality are not sufficient for the purpose of payment of debt service on the municipality's general obligation bonds then the "first revenues thereafter received" must be applied to the payment of those bonds. The court stated that "this 'first lien' on the city's revenues does not give bondholders the right to insist that any particular existing taxes be maintained or new ones imposed to produce those revenues."

In Quirk, the court noted that "a different case would be presented" if the legislation stripped the city of all revenue sources other than its property tax. We note that the Pledged Sales Tax assigned to the Corporation represents a portion of the total of the Commonwealth's sales and use tax, which in turn is a portion of the total revenues of the Commonwealth's budget.

Characteristics of Act 91. When Act 91 is reviewed in light of the relevant precedent, we find that the Act is structured to include virtually all of the elements that courts have relied on in upholding legislation against a claim that the legislature acted unconstitutionally in diverting a particular revenue stream:

1. Urgent Need. Act 91 was enacted due to one of the worst fiscal crises in the history of Puerto Rico with a budgetary deficit of $3.2 billion. (Statement of Motives, Act. No. 1 of January 14, 2009)

2. Impressed with a Trust. Section 3 impresses the Pledged Sales Tax with a trust from the moment of their receipt in the Dedicated Sales Tax Fund and dedicates those moneys as security for particular beneficiaries, that is, owners of the Corporation's bonds and notes.

3. Special Fund. Section 3 establishes a special fund to be known as the Dedicated Sales Tax Fund, to be administered by GDB and provides that all moneys deposited in the Fund shall be the property of the Corporation.

4. Specified Purposes. The purposes of the Corporation and the use of its funds are expressly set forth in Sections 2(b) and (d) and are limited to paying or financing the specific purposes or projects described therein.

5. Not Commonwealth Revenue. Section 3 provides explicitly that the money shall be deposited in the Fund upon receipt and shall not be deposited in the Treasury of Puerto Rico nor shall it constitute resources available to the Commonwealth nor shall it be available for use by the Secretary of the Treasury.

6. Limitations and Conditions. Article 4 specifies the exclusive purposes for which the Corporation's revenues may be used. Since the Corporation is primarily a financing corporation established to finance or refinance Commonwealth projects or Commonwealth Obligations, the Corporation does not independently review all of the projects financed or refinanced through its activities. However, each of these projects or purposes has been authorized pursuant to a legislative enactment, including Act 91.

7. Monetary Cap. Section 3 specifies the portion of the tax that shall be deposited to the Fund and in so doing places a cap on the amount of revenues that can be used for the Corporation's purposes.

8. Not Commonwealth Debt. Section 4(d) makes clear that the obligations of the Corporation shall not constitute a debt of the Commonwealth nor shall the Commonwealth have any liability thereon.

We note as a supplemental matter that Act 91 and this transaction by the Corporation are generally structured in the same fashion as securitizations undertaken across the country of governmental cash flows which, while not tax revenues, typically involve a property right which is identified by legislation and where the governmental entity exercises its inherent and explicit right to convey property for adequate consideration. Such transactions are typified by the securitizations of tobacco settlement revenues, the Puerto Rico version of which was the Children's Trust transaction.

In Children's Trust, the Commonwealth's right to receive tobacco settlement revenues from tobacco companies for a defined period of years, otherwise deliverable to the General Treasury of the Commonwealth, was assigned to a trust in consideration for the trust's issuance of bonds and application of the proceeds for a specified purpose. Here, while the Pledged Sales Tax will be free of the Constitutional Debt Priority Provisions, the consideration for legislative conveyance of the Pledged Sales Tax to the Corporation (the proceeds of the issuance of the Corporation's bonds) will be delivered to the Commonwealth General Treasury for the payment of the purposes stated in Act 91 and will be made fully subject to the Constitutional Debt Priority Provisions.

We note also that Act 91 provides that the provisions of Act 91 shall not be interpreted or applied in such a manner as to diminish the power of the Legislative Assembly to impose and collect taxes as provided in Section 2 of Article VI of the Constitution of Puerto Rico. Thus, the Legislature is free at any time to reduce the rate of sales and use tax or eliminate it entirely. This is clearly disclosed in the Corporation's Official Statement relating to the issuance of the Series 2011 Bonds.

In rendering this opinion, we considered legal theories that an opponent of this transaction would advance in an attempt to make the Constitutional Debt Priority Provisions applicable to the assignment of the Pledged Sales Tax to the Corporation. The outcome of any challenge to this transaction cannot be predicted with certainty. It is of significance that there are at present no Puerto Rico precedents controlling or directly on point. We note that a court's decision regarding the matters upon which we are opining herein would be based on such court's own analysis and interpretation of the factual evidence before it and of applicable legal principles. Thus, different conclusions could be reached by a court and would not necessarily constitute reversible error. Consequently, the opinion contained in this letter is not a prediction of what a particular court (including any appellate court) that reached the issue on the merits would hold, but, instead, is our opinion as to the proper result to be reached by a court applying existing legal rules to the facts as properly found after appropriate briefing and argument. This

opinion is not a guaranty, warranty or representation, but is merely this law firm's informed judgment as to a specific question of law.

Opinion. Based upon and subject to the foregoing, as of the date hereof, we are of the opinion that a court, applying existing legal principles to the facts as properly found after appropriate briefing and argument, would find that (1) Act 91 validly transfers the Pledged Sales Tax, including the Commonwealth's right to receive the Pledged Sales Tax, to the Corporation, (2) said asset and right of the Corporation shall not constitute "available resources including surplus" of the Commonwealth for purposes of the last paragraph of Section 2 of Article VI of the Constitution of Puerto Rico, or for purposes of Section 8 of Article VI of the Constitution of Puerto Rico and therefore are not subject to a first claim by the owners of public debt of the Commonwealth in the event total available resources including surplus for a particular fiscal year are not sufficient for the purposes of meeting appropriations in that fiscal year and (3) Act 91 validly provides that the Pledged Sales Tax is not available for use by the Secretary of the Treasury of the Commonwealth.

The opinion expressed herein is based on an analysis of existing laws and court decisions. Such opinion may be adversely affected by actions taken or events occurring, including a change in law (or in the application or official interpretation of any law), after the date hereof. We have not undertaken to determine, or to inform any person about, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

This opinion letter, which is summarized in the Corporation's Official Statements relating to the issuance of the Series 2011 Bonds, is rendered for the sole and exclusive benefit of each addressee hereof specified in Exhibit A, and no other person or entity (including present and future Bondowners) is entitled to rely hereon and no advice hereunder is rendered to any such other person or entity. A copy of this letter may with our consent be provided, for informational purposes only, to potential investors in the Series 2011 Bonds upon their request, or may otherwise be posted on an Internet web site maintained by the Corporation or GDB, but no attorney-client relationship exists between any such investor or any person reviewing such postings and Nixon Peabody LLP and none of such investors or other persons are included as addressees of this letter or may otherwise have any right to rely on the legal advice contained in this letter. In no event, without our written consent, may copies of this opinion letter be furnished to any person or entity other than those addressees specified in Exhibit A, nor may any portion of this opinion letter be quoted, summarized, circulated, or referred to in any document other than said Official Statements.

Very truly yours,

Nixon Peabody LLP

Exhibit A – Addressees

Puerto Rico Sales Tax Financing Corporation

Moody's Investors Service

Standard & Poor's Ratings Services

Fitch Ratings

Underwriters of the Series 2011C Bonds represented by Citigroup Global Markets Inc.

Underwriters of the Series 2011D Bonds represented by Santander Securities Corporation