The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Dear Chair White:

I am writing to you out of grave concern for the role played by Oppenheimer Funds, a subsidiary of the Massachusetts Mutual Life Insurance Company, in the current crisis faced by Puerto Rico. I asked for a meeting with the CEO of Oppenheimer Funds to discuss this matter but he declined to meet with me. I urge you and your agency to investigate whether Oppenheimer has fully complied with all securities laws and regulations in the manner in which it has handled its multi-billion dollar investments in Puerto Rican bonds.

Oppenheimer has stated that it is the largest holder of Puerto Rican debt. The fact that Puerto Rican bonds enjoy triple tax exemption has caused Oppenheimer to include substantial allocations of Puerto Rican bonds in its state municipal bond funds meant for the residents of many states throughout the United States.

<u>In fact, in spite of the current debt crisis in Puerto Rico, in recent months Oppenheimer has increased significantly the portfolio allocations to Puerto Rican bonds in many of its state funds</u>. – These Small investors in funds with names like Massachusetts Municipal Fund, or New Jersey Municipal Fund or Pennsylvania Municipal Fund might reasonably expect that their investment is in municipal bonds from those locals and not realize they are investing in assets from the Commonwealth. I am concerned that Oppenheimer's hedge fund-like investment strategy does not conform to the normal prudence expected of municipal bond funds marketed to individual investors. Oppenheimer itself testified recently that most of their investors are over 65 years of age and earn less than $100,000 per year.

As you may know, Puerto Rico is experiencing an acute economic, fiscal, debt and humanitarian crisis. The government of Puerto Rico, the U.S. Treasury Department and many experts have stated that Puerto Rico's debt of $72 billion is unsustainable and must be restructured as soon as possible.

In spite of this crisis and overwhelming evidence that the debt is unsustainable Oppenheimer has voiced its staunch opposition in Congress, in the courts and in the media to providing Puerto Rico with access to chapter 9 of the bankruptcy code or to a bankruptcy-like process that would give Puerto Rico the opportunity for a fair and comprehensive restructuring of all its debt. Its aggressive opposition to meaningful debt relief will further exacerbate the humanitarian crisis in Puerto Rico and will lead to a chaotic legal war that pits creditors against themselves and against Puerto Rico.

Oppenheimer seems so confident in its ability to exact from Puerto Rico full compliance with all its debt obligations that, much like the hedge funds now preying on Puerto Rico, it has chosen over the last eight months to significantly <u>increase</u> the portfolio allocations of many of its municipal bond funds to Puerto Rican bonds.
To be specific:

- Oppenheimer's Rochester Arizona Municipal Fund increased its portfolio allocation to Puerto Rico from 19.4% of net assets on September 30, 2015 to 29.9% by February 29, 2016.
- Oppenheimer's Limited Term California Municipal Fund increased its portfolio allocation from 10.4% as of July 31, 2015 to 16.6% on February 29, 2016.

- Its Massachusetts Municipal Fund similarly increased its allocation from 15.8% on September 30, 2015 to 29.8% on February 29, 2016.
- Its Maryland Municipal Fund increased its already high allocation to Puerto Rico of 41.3% on September 30, 2015 to almost half the whole portfolio on February 29, 2016, or 49.5% to be exact.
- Its New Jersey Municipal Fund increased its allocation to Puerto Rico from 16.7% on July 31, 2015 to 26.8% on February 29, 2016.
- Its Limited Term New York Municipal Fund increased its allocation from 17.7% on December 31, 2015 to 27.6% just two months later.
- Its North Carolina Municipal Fund increased its allocation to Puerto Rico from 17% on September 30, 2015 to 30.6% by February 29,2016.
- Its Pennsylvania Municipal Fund increased its allocation to Puerto Rico by a whopping 161%, from 13.2% on July 31, 2015 to 34.4% by February 29, 2016.
- Finally, the Rochester Fund Municipals raised its allocation to Puerto Rico from 20.6% on December 31, 2015 to 24.1% by the end of February 2016.

By my estimate, Oppenheimer has committed an additional half billion dollars of its individual investors' life savings to Puerto Rican bonds in the heat of the Commonwealth's worst fiscal crisis. It has done so despite the fact that Puerto Rican bonds were the only segment of the municipal market to lose money in 2015. It has done so in the face of repeated warnings by government officials that Puerto Rico cannot afford to service its debts.

Other members of the mutual fund community have taken a more reasonable and sobering view. As early as August 2015, T. Rowe Price said that its "municipal team has long maintained that Puerto Rico's debt burden is unsustainable and would eventually need to be restructured." More recently, Nuveen Asset Management stated that "restructuring – painful as it may be – provides greater value to creditors than lobbying for maintaining the status quo.... As municipal asset managers and creditors, we are reluctant to support any adjustment of debts by issuers, but we believe it is both inevitable and necessary for Puerto Rico."

I can only conclude that its recent gamble with its unsophisticated investors' money on greater exposure to Puerto Rico, taking advantage of depressed prices for its bonds in the market, means that Oppenheimer is wholly committed to its opposition to meaningful debt relief. It seems it will do everything it can to inflict harsh austerity measures on the government of Puerto Rico, prioritizing the near term payments on its debt holdings over the needs of the Puerto Rican people, the future growth of their economy and the ability of the Puerto Rican government to pay back all its bondholders over the long term. Much like the hedge funds circling Puerto Rico, it seems to be looking for a quick opportunistic profit rather than a long-term solution to the island's crisis and long-term creditor value.

I urge you to take action at the earliest possible time and I look forward to hearing from you.

Sincerely,

Melissa Mark-Viverito
Speaker
New York City Council

Cc:
Arthur P. Steinmetz, Chair, CEO & President, Oppenheimer Funds
U.S. Representative Rob Bishop
U.S. Representative Raul M. Grijalva
New York State Attorney General Eric T. Schneiderman
Arizona Attorney General Mark Brnovich
California Attorney General Kamala D. Harris
Massachusetts Attorney General Maura Healy
Maryland Attorney General Brian E. Frosh
New Jersey Acting Attorney General Robert Lougy
North Carolina Attorney General Roy Cooper
Pennsylvania Attorney General Kathleen G. Kane