

# 1<sup>st</sup> PROMESA Conference

**August 31, 2016**

## **Panel III -Market Participants & Experts Opinions**

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MUNICIPAL BONDS FOR INDIVIDUALS AND FAMILIES SINCE 1964



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# 1<sup>st</sup>. PROMESA CONFERENCE—12 Steps to Recover From Debt Addiction

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1. *Admit the Commonwealth is powerless over debt, and must work with a power greater than itself;*
2. *Establish the true magnitude of Puerto Rico's financial deficit;*
3. *Restructure the Government Development Bank, or eliminate it;*
4. *Consolidate the multitude of bonding authorities into one or two umbrella issuers;*
5. *Develop a multi-year financial plan, preferably at least 4 years;*
6. *The annual budget and four year plan ought to be published both in Spanish and English;*
7. *Put off any consideration of a Value Added Tax as a substitute for other taxes until a reasonable four year financial plan can be adopted;*
8. *Abandon any serious discussion of changing Puerto Rico's political situation (Commonwealth, Statehood or Independence) until it can prove itself capable of managing its own financial affairs;*
9. *Do a true governmental cash flow analysis to determine what Puerto Rico's seasonal cash flow needs are for its general fund, at least annually;*
10. *Make amends to repay current bondholders as much as possible, if the Commonwealth ever hopes to borrow funds from the inexpensive municipal bond market;*
11. *Pension and municipal bond obligations should be merged; and*
12. *A substantial investment in a "facelift" of Puerto Rico's image must occur.*



# 1<sup>st</sup>. PROMESA CONFERENCE---STEP 1

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## Quote

Admit that the Commonwealth is powerless over its debt, and must work with a power higher than itself

1. The time for finger-pointing is over; there are many to blame. The simple fact is that Puerto Rico's officials have spent more than they can pay for, over years, if not decades. The time is also past for fighting against a control board. Instead, opponents should work in conjunction with the PROMESA board to discard past practice and politics, and change the future. This, in a nutshell, will challenge the PROMESA Financial Control Board once it is formed.



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# **WALL STREET = MAIN STREET**

**It is estimated that about 70% of Municipal Bonds are owned outright by individuals, or by investors that own shares of bond funds managed by Wall Street companies.**



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### STATE STREET ↓ MAIN STREET

- Investors have lost money because of Puerto Rico Government's actions
- The losses from recent defaults, but larger for individual investors that had to sell bonds before maturity
- The Commonwealth has already caused irreparable harm to once-loyal investors



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- **Has Puerto Rico Permanently Lost Its Investor Base Already?**
- **Can so-called Securitizations take the place of traditional bonds?**
- **How long Will It Take Before the PROMESA Board is operational?**
- **How many years could it be before Puerto Rico will be trusted to issue normal debt obligations?**



# QUESTIONS THAT NEED TO BE ANSWERED

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- When will there be trustworthy audited financial statements?
- When will there be a true accounting of monthly cash flows in the general fund?
- How large is the backlog of unpaid vendor obligations?
- Is there any control of Governor Padilla's spending now before the Control Board Steps in?
- Will the Control Board treat creditors equally, or follow the flawed Detroit Bankruptcy model?





# Thank You

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