

PROMESA | Three Points to a Durable Solution

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- 1 TRANSPARENCY/FISCAL REFORM
- 2 KEY TO OVERSIGHT BOARD'S EFFECTIVENESS
- 3 ABC'S OF LONG TERM SUCCESS:
COMPLIANCE + GROWTH + DEBT RESTRUCTURING

I. TRANSPARENCY/FISCAL REFORM

FINANCIAL DELIVERABLES/FISCAL AND BUDGETARY PROCESS

- Providing bondholders with essential information to make informed decision or any voluntary agreement to restructure debt.
- Transparent process that lends credibility to Government attempt to achieve voluntary consensus of all creditor classes.
- Fiscal/budgetary process is key to any restructuring and access to capital/based upon collaboration with government in first instance.
- Understand immediate and long term liquidity issues.

FAILURE TO ADDRESS INFORMATIONAL ISSUES: DAMAGE TO CREDIBILITY OF THE PROMESA PROCESS.

II. KEY TO OVERSIGHT BOARD'S EFFECTIVENESS

HIGH EXPECTATIONS FROM PEOPLE IN PUERTO RICO AND CONGRESS

- Must maintain autonomy.
- Control of process.
- Collaborative/yet decisive.

SHORT-TERM SUCCESSES

- Productive engagement with bondholders/creditor groups.
- Progress on infrastructure projects covering healthcare, labor, tax and other areas.

REMAIN FOCUSED ON PROMESA'S MANDATE TO OVERSIGHT BOARD

- Fiscal responsibility/access to capital markets/free flow of funds.
- Maintain benchmark standard of “sustainable debt” and compliance.
- Address areas of concern: procurement of contracts/pension system/infrastructure and critical projects.
- Avoid unnecessary distractions/extraneous issues.
- Good communication.

FAILURE: RESISTANCE TO OVERSIGHT BOARD'S RECOMMENDATIONS/PROLONGED DELAY/TITLE III PROCEEDING BECOMES A CERTAINTY.

III. ABC'S OF LONG-TERM SUCCESS: Compliance + Growth + Debt Restructuring

A COMPLIANCE

- Process for certified fiscal/budget plans leading to sustainable level of debt.
- Monitor variances, new laws, rules, regulations and procurement of government contracts.

B GROWTH

- Implementation of infrastructure revitalization.
- Support empowerment of Revitalization Coordinator.
- Demonstrated progress.
- Emphasis on expanded revenue base through economic growth.

C DEBT RESTRUCTURING

- Success: voluntary/consensual outcome Title VI/creditor collective action.
- Statutory emphasis is on a combination of mandatory fiscal/budgetary accountability economic reform, and voluntary debt restructuring (in first instance).
- Oversight Board in its exclusive discretion may utilize “avoidance of” Title III as a “carrot and stick” to encourage all parties to reach a voluntary agreement/consensual restructuring outcome.
- Title III may be needed to implement voluntary agreement by most of bondholder constituent classes but not all classes.

FAILURE: NO TITLE VI VOLUNTARY AGREEMENT OR A TITLE III FILING WITHOUT SIGNIFICANT BONDHOLDER SUPPORT. DELAYED RESOLUTION OF THE FINANCIAL CRISIS/INCREASED COSTS.

IV. Net Result of a “Durable Solution”

Pro-Growth Economic Policies and fiscal responsibility leading to access to capital markets/free flow of capital (improved credit ratings!!!)

Timely and efficient consensual debt restructuring based upon shared goals of government, investors/bondholders and people of Puerto Rico

Puerto Rico becomes the “jewel” of the Caribbean, encouraging:

- Citizens of all talents, economic strata, professions committed to rebuilding Puerto Rico
- Investment in island

What is at stake?

- The lives and well-being of 3.5 million U.S. citizens