

Paradise Lost



Puerto Rico's Descent Into Economic Collapse and Climate Devastation and Prospects for its Recovery

March 30, 2018

Rutgers University/Camden



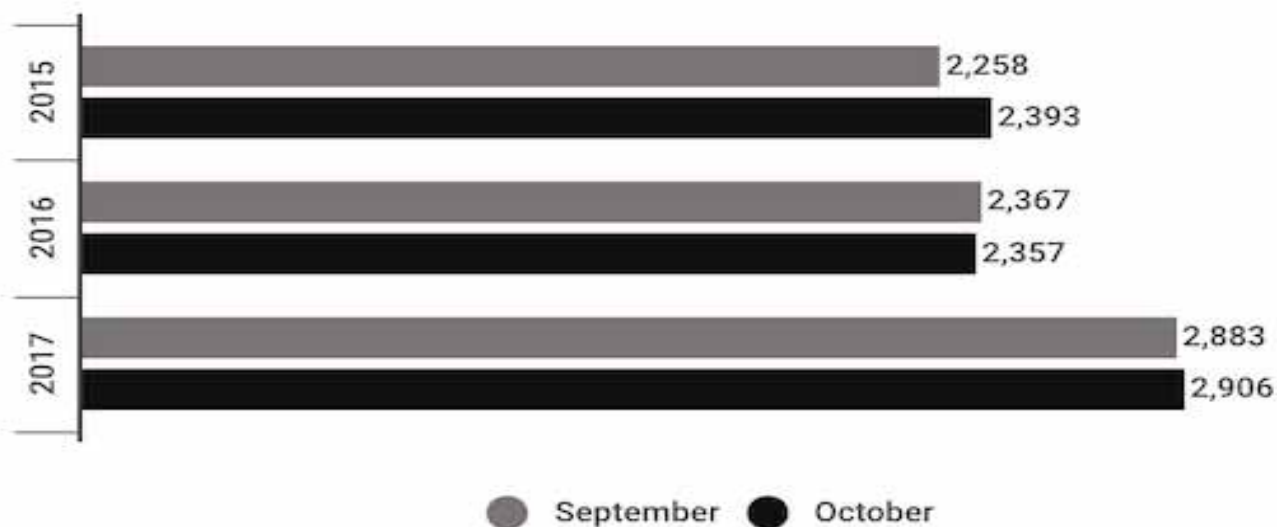






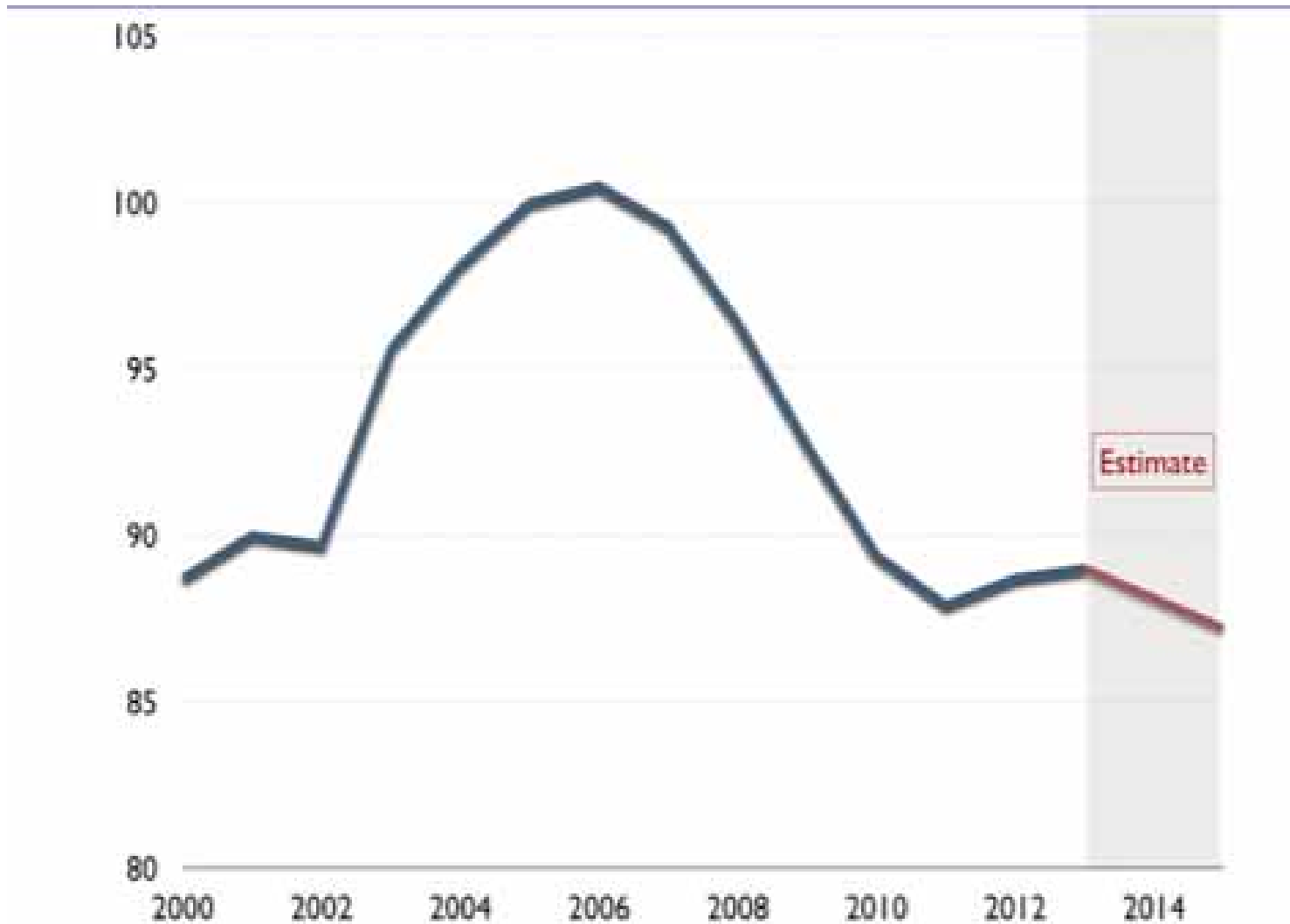


Deaths in Puerto Rico



Source: Demographic Registry and the Department of Health

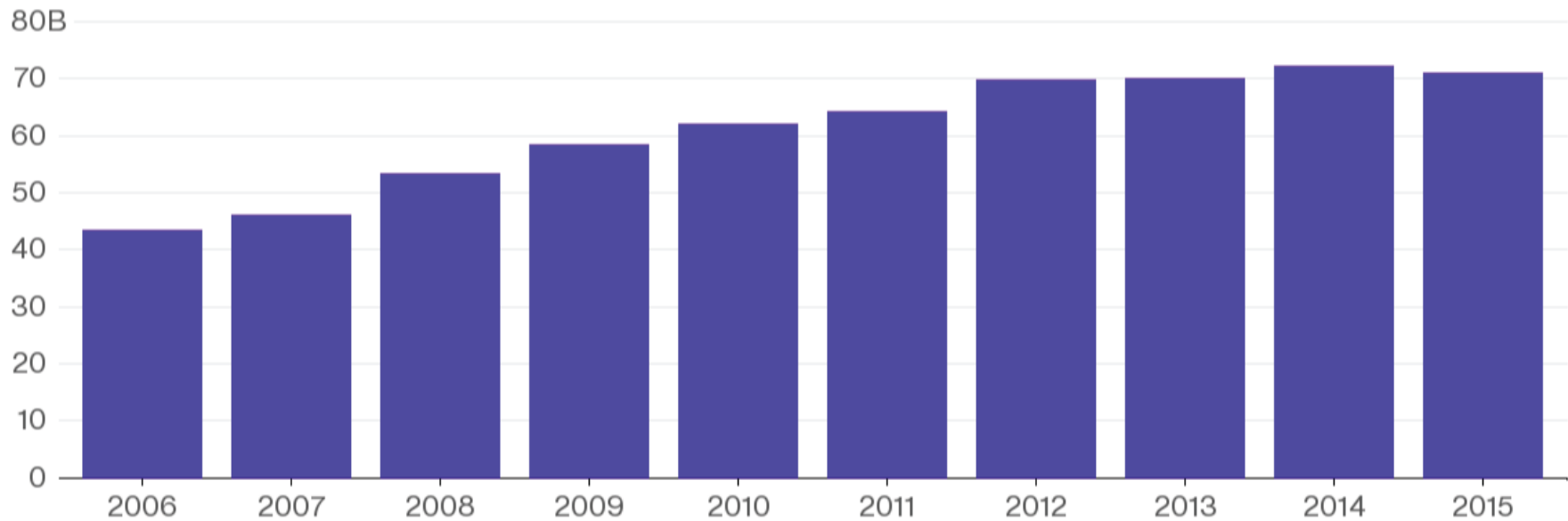
Real GNP (2005 = 100)



Source: Krueger Report, *Puerto Rico – A Way Forward*, June 29, 2015

Roots of the Crisis: Puerto Rico's Swelling Public Debt

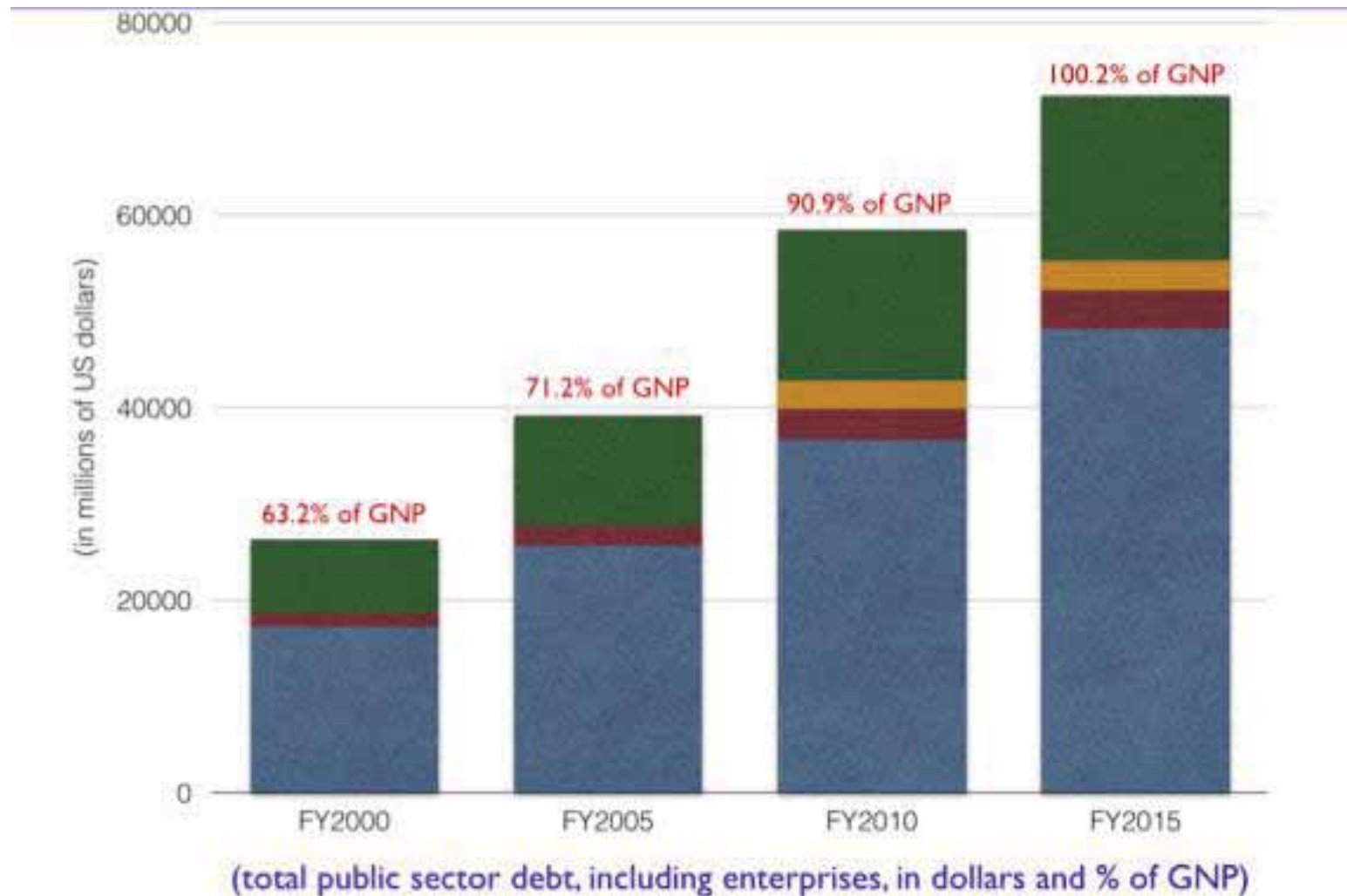
Tab Grew as Government Borrowed to Pay Bills



Working Group for the Economic Recovery of Puerto Rico

Bloomberg 

Growth of Puerto Rico's Public Debt



Source: Krueger Report, *Puerto Rico – A Way Forward*, June 29, 2015

“Puerto Rico’s debt crisis is taking a toll on the mainland municipal bond market.

Municipal participants say the ripple effects from the biggest municipal bankruptcy have shaken investor confidence in lower-rated states and cities, legal promises, and credit ratings in general. “ – *The Bond Buyer*, March 21, 2018

Three Phases of U.S. Colonial Control of Puerto Rico



Classic Phase (1898-1952)

- Monocrop sugar cane economy
- Supreme Court insular decisions legalize colonialism and 1917 Jones Act imposes second-class citizenship
- Massive repression of the independence movement



Industrial Phase (1952-2006)

- Cheap labor, off-shore manufacturing center through New Deal “Operation Bootstrap” and corporate tax haven
- Deliberate mass migration of unskilled workers to U.S.
- Limited self-government and cultural autonomy (Estado Libre Asociado)
- Social democratic labor policy (showcase of the Caribbean)
- Military bases as a bulwark of the Cold War



“Uber Colonialism Phase”

- Economic stagnation and flight of industry between 1996 and 2006 after abolition of Section 936
- Withdrawal of U.S. bases
- Peddling of massive bond debt by Wall Street financiers
- Austerity programs and sale of public assets aimed at dismantling pro-labor social democratic policies



NEW ISSUE – BOOK-ENTRY ONLY

See “Book-Entry Only System”

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Corporation, under the provisions of the Acts of Congress now in force, and under existing statutes and court decisions, (a) assuming continuing compliance with certain tax covenants as described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (b) the Bonds, and the interest thereon, are exempt from state, Commonwealth of Puerto Rico and local taxation. See “Tax Matters” herein.

PUERTO RICO SALES TAX FINANCING CORPORATION

\$2,667,603,572.60 Sales Tax Revenue Bonds, Series 2007A

Dated: Date of Delivery

Due: August 1, as shown on the inside cover page

Puerto Rico Sales Tax Financing Corporation (the “Corporation”) will issue its Sales Tax Revenue Bonds, Series 2007A (the “Bonds”), in order to provide funds to the Commonwealth of Puerto Rico (the “Commonwealth”) to be applied to the repayment of certain of its debt obligations owed to Government Development Bank for Puerto Rico (“Government Development Bank”) and Puerto Rico Public Finance Corporation. Concurrently with the issuance of the Bonds, the Corporation is issuing its Sales Tax Revenue Bonds, Series 2007B (the “Series 2007B Bonds”). The Series 2007B Bonds are being offered for sale solely in Puerto Rico pursuant to a separate Official Statement. The issuance of the Series 2007A Bonds is not contingent upon the issuance of the Series 2007B Bonds.

The Bonds, the Series 2007B Bonds, and any additional bonds issued under resolutions adopted by the Corporation (collectively, as amended and supplemented, the “Resolution”), will be payable from and secured by a security interest created by the Resolution in a specified portion of a new sales tax (such portion of the Commonwealth sales tax, the “Pledged Sales Tax”), imposed by a newly-enacted statute of the Commonwealth that grants to the Corporation ownership of the Pledged Sales Tax, such portion constituting the first receipts of such tax in each Fiscal Year in the specified amount. The Bank of New York will act as trustee (the “Trustee”) under the Resolution.

The Bonds are issuable as registered bonds without coupons in denominations of \$5,000 (of maturity amount in the case of the capital appreciation bonds), initially registered in the name of Cede & Co., as nominee for The Depository Trust Company. Purchasers of the Bonds will not receive certificates representing the Bonds. The Bonds are being issued as fixed rate bonds (the “Fixed Rate Bonds”) in the form of current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”), and as LIBOR-based adjustable rate bonds (the “LIBOR Bonds”) as set forth in the inside cover page. Interest on the Current Interest Bonds will be payable semi-annually to maturity (or earlier redemption) on each February 1 and August 1, commencing on February 1, 2008. Interest on the Capital Appreciation Bonds will not be payable on a current basis but will compound semiannually on each February 1 and August 1, commencing on August 1, 2007, and will be payable at maturity or redemption. Interest on the LIBOR Bonds will be payable quarterly, commencing on November 1, 2007. The Bonds are subject to redemption prior to maturity as set forth herein, including redemption at par. The inside cover page of this Official Statement contains information concerning the maturity schedules, interest rates, prices and approximate yields of the Bonds.

The scheduled payment of principal and interest on certain of the Bonds will be guaranteed under bond insurance policies to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company, MBIA Insurance Corporation, and Ambac Assurance Corporation, as indicated in the inside cover page of this Official Statement.

THE BONDS ARE PAYABLE BY THE CORPORATION SOLELY FROM THE PLEDGED PROPERTY HELD UNDER THE RESOLUTION CONSISTING PRIMARILY OF THE PLEDGED SALES TAX COLLECTED AND REMITTED TO THE TRUSTEE. THE BONDS DO NOT CONSTITUTE A DEBT, OBLIGATION OR PLEDGE OF THE FULL FAITH, CREDIT AND TAXING POWER OF THE COMMONWEALTH OR ANY OF ITS MUNICIPALITIES OR POLITICAL SUBDIVISIONS OR INSTRUMENTALITIES (OTHER THAN THE CORPORATION), AND NEITHER THE COMMONWEALTH NOR ANY OF ITS MUNICIPALITIES OR POLITICAL SUBDIVISIONS NOR INSTRUMENTALITIES (OTHER THAN THE CORPORATION) SHALL BE LIABLE FOR THE PAYMENT THEREOF.

The Bonds are offered by the Underwriters when, as and if issued by the Corporation and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon by Pietrantoní Méndez & Álvarez LLP, San Juan, Puerto Rico, as Special Counsel to Goldman, Sachs & Co., and for the Underwriters by their counsel, Fiddler González & Rodríguez, P.S.C., San Juan, Puerto Rico. It is expected that the Bonds will be delivered through The Depository Trust Company on or about July 31, 2007.

Goldman, Sachs & Co.

AG Edwards

Bear, Stearns & Co., Inc.

JPMorgan

Morgan Stanley

RBC Capital Markets

UBS Investment Bank

Banc of America Securities LLC

Citi

Loop Capital

Oriental Financial Services

Samuel A. Ramírez & Co.

Wachovia Bank, National Association

Lehman Brothers

BBVAPR MSD

First Albany

Merrill Lynch & Co.

Popular Securities

Santander Securities

July 13, 2007

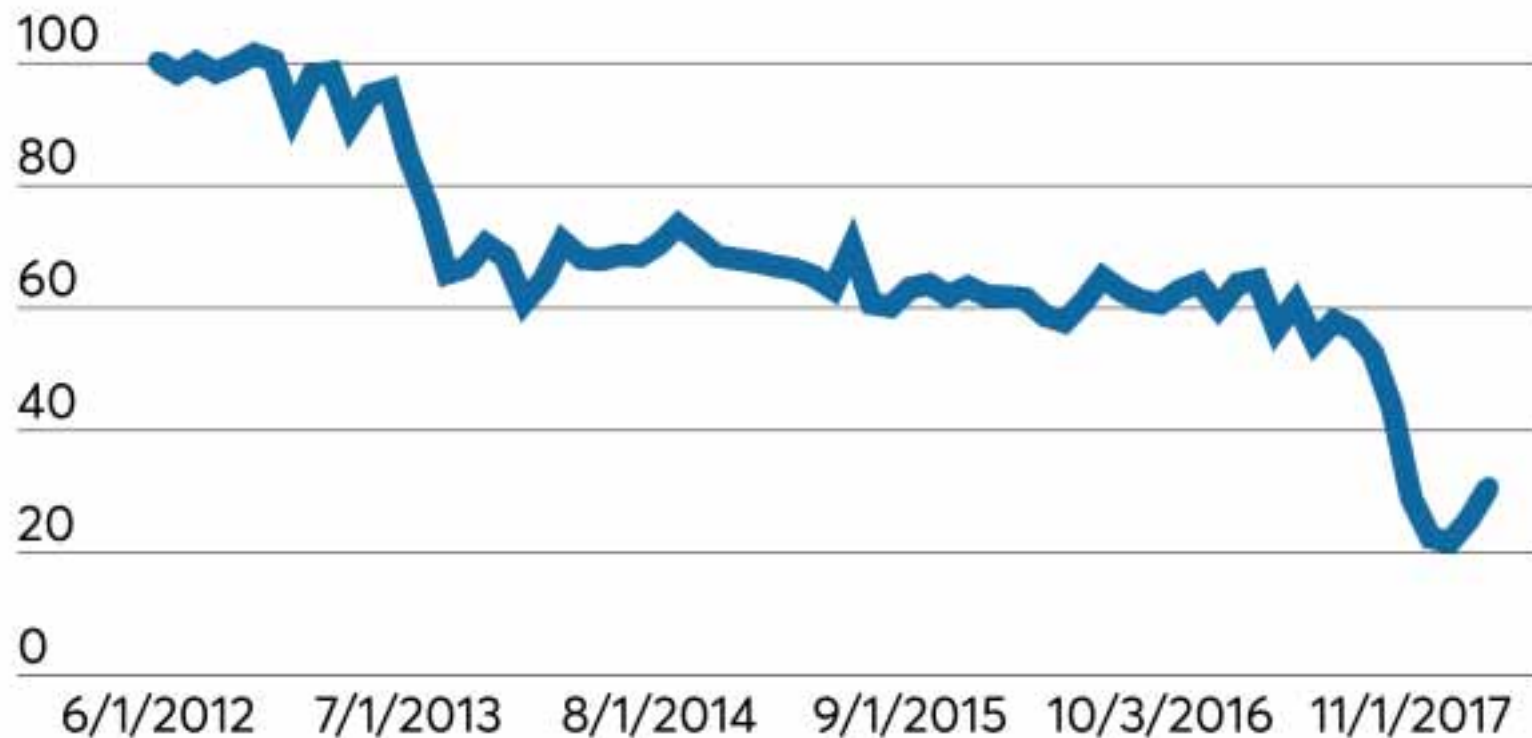
Sinking Fund Installments for Capital Appreciation Bonds Maturing

Mandatory Redemption Date	August 1, 2054		August 1, 2056	
	Original Principal Amount	Compounded Amount	Original Principal Amount	Compounded Amount
08/01/2048	\$102,859,098.30	\$ 823,990,091.40		
08/01/2049	101,982,687.10	859,508,225.80		
08/01/2050	101,102,593.50	896,448,120.75		
08/01/2051	100,217,436.60	934,865,609.70		
08/01/2052	99,329,057.60	974,818,780.80		
08/01/2053	98,438,837.40	1,016,370,837.90		
08/01/2054*	97,545,395.10	1,059,585,000.00		
08/01/2055			\$88,021,458.00	\$1,104,529,581.30
08/01/2056*			87,036,390.00	1,151,275,000.00

* Final maturity.

Disaster

Evaluated price: Puerto Rico GO bond, 5% coupon of 2041



Source: IHS Markit