PIRATES OF THE CARIBBEAN

UPDATE:
CARLOS GARCÍA FAILS TO REPORT COMMOLOCO IN FINANCIAL DISCLOSURE

COMMITTEE FOR BETTER BANKS

HEDGE CLIPPERS

GARCÍA'S BUSINESS MAKES SMALL LOANS TO DESPERATE PUERTO RICANS AT EXTREMELY HIGH INTEREST RATES

The following is an update concerning the business interests and apparent conflicts of Carlos García, who is serving as a board member of the Financial Oversight and Management Board for Puerto Rico (aka "Fiscal Control Board," "Junta").

- A report issued last December by the Committee for Better Banks and the Hedge Clippers, entitled "Pirates of the Caribbean" examined a web of conflicts between García's former employer Santander Bank and the Government of Puerto Rico surrounding debt issuance, which has helped create a humanitarian crisis in Puerto Rico.

- The report places Carlos García at the center of these conflicts, because he served as a senior executive at Santander while the bank advised on debt deals and underwrote bonds for the Commonwealth. García left Santander to become head of Puerto Rico's Government Development Bank, which under his leadership orchestrated a massive issuance of questionable public debt that was often underwritten by Santander.

In order to comply with federal conflict of interests laws, the Fiscal Control Board for Puerto Rico members including Carlos García have published their personal financial disclosure reports.

DISCLOSURE HIGHLIGHTS MORE CONFLICTS OF INTEREST FOR CARLOS GARCÍA

• Our investigation into his financial disclosure shows that García did not reveal the salaries he receives as Chairman of the privately held Caribbean Financial Group, Inc., which is based in Puerto Rico, or as the CEO of BayBoston Managers LLC, a private equity firm he established, which is located in Newton Center, Massachusetts.

• The financial disclosures have sparked criticism of several board members for failure to fully document their financial situation as required by the PROMESA law.[1] The leader of the Popular Democratic Party (PPD), Hector Ferrer, has called on Junta members Jose Carrion and Carlos García to disclose all the required information about their assets and income which wasn't reported on their disclosure forms. Ferrer said that a failure to be transparent would "disqualify them as members of the fiscal control board."[2]

García also omitted from his disclosure any detailed description of the nature of his business interests in Puerto Rico. García discloses that he is the **Chairman of the Caribbean Financial Group** ("**CFG**") but does not reveal that its business consists of making "unsecured personal loans and related credit insurance products to individuals who may have limited access to consumer credit from banks and other traditional lenders."[3] In Puerto Rico the trade name for this business is **CommoLoCo**, which makes small, unsecured personal loans, known as 'prestamos personales' in Spanish.

• On its website, www.commoloco.com, the company claims that an online personal loan applicant will receive a response within 30 seconds. On its homepage, CommoLoCo also provides an example of a personal $1,000 loan to be repaid in monthly installments of $33.16 over four years (a total of $1,592), which suggests an interest rate of 25% for the loan.

• However, a recent visit to a CommoLoCo storefront location, a potential consumer reported anecdotally learning that loans can carry interest rates of up to 49% -- almost twice that amount. Puerto Rican law has no cap on interest rates for 'prestamos personales,' and the majority of these loans made in 2016 had interest rates between 31% and 43%.[4]

1 "Oversight Board Director Owns at Least $265,000 in Puerto Rico Bonds," Bond Buyer, 03-06-2017.

2 "P.R. Opposition Leader Says Board's Financial Disclosures May Require Resignations," Bond Buyer 03-09-2017.

3 http://www.cfgcompany.com/company

4 For the law governing interest rates see Reglamento Num. 5782 Para Disponer Sobre Las Tasas De Interes y Otros Asuntos en la Concesion de Prestamos Personales Pegquenos here: http://www.ocif.gobierno.pr/documents/5782.pdf . 'No se fija una tasa de interes anual maxima' means 'no maximum annual interest rate.' For small loans made in Puerto Rico last year see the Office of the Commissioner of Financial Institutions report on small loans companies here: http://www.ocif.gobierno.pr/documents/Q2-2013/small_loan_co.pdf

• According to a case study published by IBM in 2016, the business of CFG is "booming." The case study notes that "CFG has expanded rapidly – with year-on-year earnings growth exceeding 10 percent."[5]

• García has a special stake in CFG's business in the Commonwealth. He reveals in his disclosure that he is "eligible for a special bonus from CFG in case of the acquisition of a consumer finance business in Puerto Rico."[6] He does not disclose the name of the business, but his statement suggests that he will be handsomely rewarded by the expansion of CFG's operations on the island.

• In addition, García has raised capital for the Caribbean Financial Group through his private equity company. A limited liability corporation known as BayBoston CFG Investors, which García manages, has filed a Form 4 with the U.S. Securities and Exchange Commission, reporting a sale of $3.65 million in equity securities.[7] García notes in his disclosure that the purpose of BayBoston CFG Investors is to invest in the Caribbean Financial Group.[8] The BayBoston website homepage currently lists Caribbean Financial Group Holdings, L.P. as an "active investment."[9]

Companies that make small, unsecured personal loans at interest rates as high as 31%, 43% or even potentially as high as 49% – to individuals with poor credit will likely profit from the desperation created by Puerto Rico's humanitarian crisis. The crisis is fueled in part by Puerto Rico's overwhelming debt burden, which García played a role in creating. Today, he is personally involved in directing and raising money for a predatory lender that targets Puerto Ricans, i.e. as the Chairman of CFG, through his private equity firm's investment in the CFG, and the "special bonus" he may receive from its expansion.

CARLOS GARCÍA SHOULD RESIGN

The work of the Junta is not compatible with the business of making loans at unlimited and exorbitant rates.

• García should resign immediately from the Fiscal Control Board. The outcome of the PROMESA mandated process will determine for thousands of Puerto Ricans whether they will enjoy access to traditional sources of consumer credit or whether they will be forced in desperation – through circumstances beyond their control – to rely on predatory lenders like CommoLoCo.

5 http://www-03.ibm.com/software/businesscasestudies/us/en/corp?synkey=P367392I18175V50

6 Financial Information - Carlos Garcia," pg. 2, available at https://juntasupervision.pr.gov/index.php/en/documents/

7 https://www.sec.gov/Archives/edgar/data/1665581/000090866216000483/xslFormDX01/primary_doc.xml

8 Financial Information - Carlos Garcia," pg. 2, available at https://juntasupervision.pr.gov/index.php/en/documents/

9 http://bayboston.com/#/team/caribbean-financial-group-holdings-l-p