Insights into Japonica's Turnaround Track Record and Greece Government Bond Investment

Lecture by:

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3 June 2016

London Business School

"Managing Corporate Turnarounds"

Working Draft v.1.9

Insights into Japonica's Turnaround Track Record

Founded in 1988

JAPONICA PARTNERS®

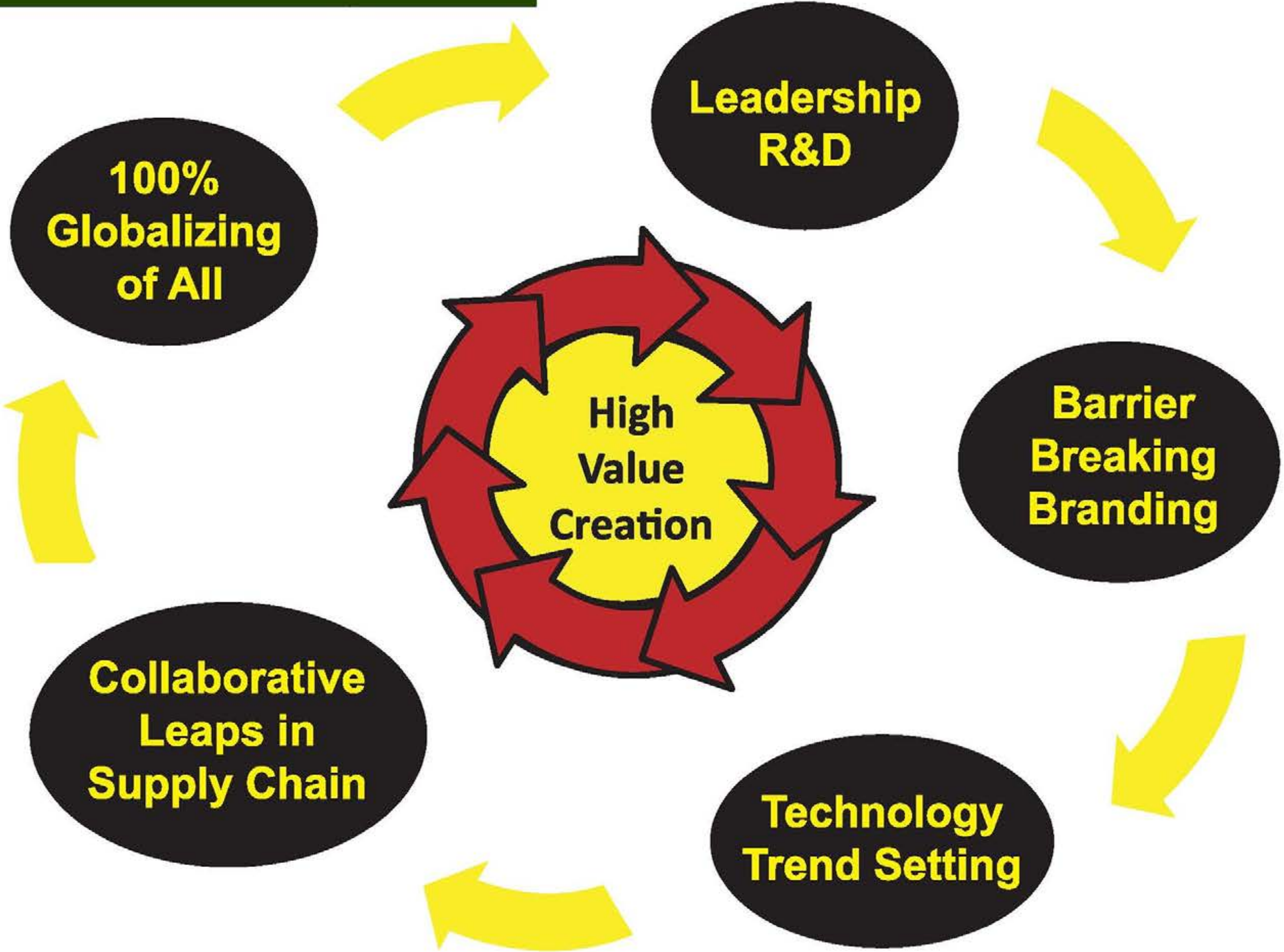
D - C - C

Discovering value gaps, Changing cultures & perceptions, and Creating value through hands-on management.

发现・改变・创造

JAPONICA PARTNERS®

High Value Creation *D-C-C*



JAPONICA PARTNERS

Special Situation Investments

CHICAGO AND NORTHWESTERN LINE

Sunbeam

Oster®

ALLEGHENY INTERNATIONAL

HANSON

Metra®
The way to really fly.

Sunbeam®

SPRINGFIELD

Northern Electric, Inc.

Oster®
Professional Products

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THE ORIGINAL GAS GRILL™

LAWNLITE

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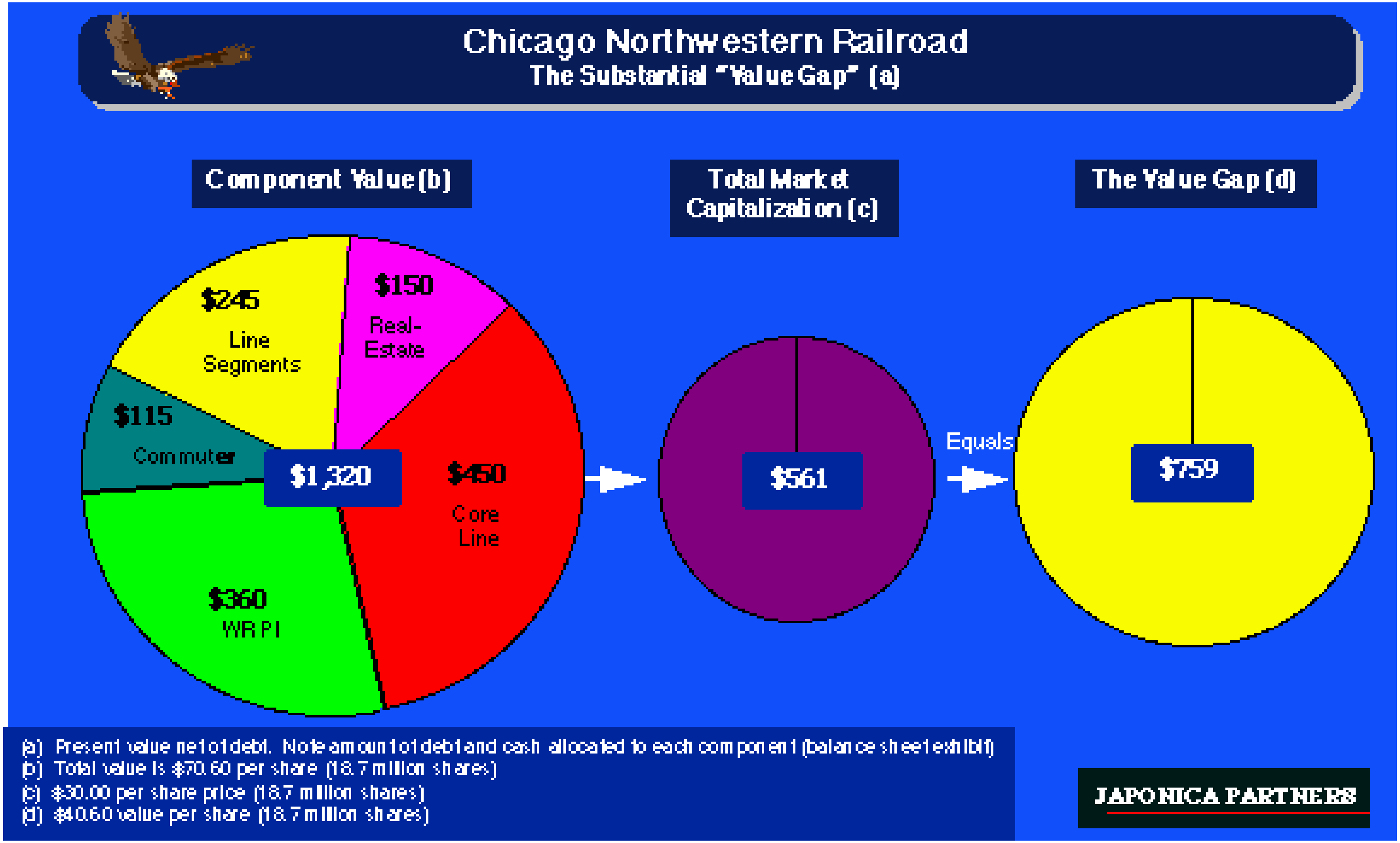
CNW


Chicago Northwestern Railroad
The Substantial "Value Gap" (a)
Component Value (b)
Total Market Capitalization (c)
The Value Gap (d)
$245
Line Segments
$150
Real-Estate
$115
Commuter
$1,320
$450
Core Line
$360
WRPI
$561
Equals
$759
(a) Present value net of debt. Note amount of debt and cash allocated to each component (balance sheet exhibit)
(b) Total value is $70.60 per share (18.7 million shares)
(c) $30.00 per share price (18.7 million shares)
(d) $40.60 value per share (18.7 million shares)
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Rejuvenation of Allegheny's 12 Businesses within 24 Months

	1990	1993	Change
Net Sales	$859	$1,066	24%
Gross Margin	19.4%	27.1%	764 bps
SG&A % of sales	16.5%	12.6%	397 bps
Op. Profit (pre-restructuring)	$25	$155	$130
Op. Profit (GAAP)	$(95)	$155	$250
Operating Margin	**-11.1%**	**14.5%**	--

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Allegheny International/Sunbeam-Oster Investment Metrics

Investment (Sept. 1990)	$120 MM
Investment Value (Dec. 1993) (Partnership Dissolution —Year End)	$1,464 MM
ROI Multiple	12.2x
IRR	125%

Insights into Japonica’s Investment in Greek Government Bonds (GGBs)

Greece Government Overview

- Approximately €80 billion annual spending
- 650,000 employees
- Half trillion assets and liabilities
- Over half the economy

Greece is a Classic Turnaround

#1. The “D” in D-C-C: Discovered systemic misperceptions that hid a large value gap. No internationally comparable balance sheet. Hidden nuggets of value.

#2. The middle “C” in D-C-C: Changing systemic misperceptions held by key stakeholders unaware of or motivated to deny the nuggets of value.

#3. The final “C” in D-C-C: Creating value from low hanging fruit with a Professional Turnaround Manager (PTM) and team by rapidly closing the value gap using 100-day plans, which key stakeholders believe are impossible.

D - C - C

The "D" in D-C-C

Starting Point: **D**iscovered the value gap.

- Built a preliminary Greece government balance sheet, which did not exist, and discovered nuggets of value when compared to peers.

Why a Greece Government Balance Sheet is a Highly Effective Tool and the Most Important Reform

1. Creating value.
2. Improving decision-making.
3. Assessing performance.
4. Combating corruption.
5. Building trust and confidence.
6. Increasing accountability.
7. Focusing on change in net worth.
8. Lowering borrowing costs.

Greece Government Working Draft Balance Sheet

(31 December 2015; €, billions)

SN	Balance Sheet Item	Amount	% of GDP
1.	Financial Assets	€ 52	30%
2.	Non-Financial Assets	€ 90	51%
3.	Total Assets	€ 142	81%
4.	Financial Liabilities	€ 118	67%
5.	Non-Financial Liabilities	€ 255	145%
6.	Total Liabilities	€ 373	212%
7.	Net Worth	-€ 231	-131%
Note:			
	GDP	€ 176	

Net Worth Change Comparison: Select Sovereigns 2011 - 2014/15

1. Greece Net Worth increased 44% from 2011 to 2015 compared to Benchmark Median decrease of 23%.
2. Greece Net Worth as a % of GDP increased 60 percentage points compared to Benchmark Median decrease of 7 percentage points.

		Greece	Benchmark Median	Australia	Canada	France	Israel	New Zealand	Swiss	UK	US
1.	Net Worth - 2011	-415		-103	-550	-2,149	-1401	81	-40	-986	-14,785
2.	Net Worth - 2014/15	-231		-309	-612	-2,770	-1727	92	-38	-1,620	-18,222
3.	Net Worth % Change	44%	-23%	-200%	-11%	-29%	-23%	14%	5%	-64%	-23%
4.	Net Worth % of GDP - 2011	-200%		-7%	-33%	-104%	-150%	39%	-6.4%	-57%	-95%
5.	Net Worth % of GDP - 2014/15	-131%		-19%	-31%	-130%	-158%	38%	-5.8%	-87%	-102%
6.	NW/GDP % Point Change	69	-7	-12	2	-26	-8	-1	0.6	-30	-6

Notes: Data from respective government financial statements, EC AMECO, Eurostat, and IMF. France and Switzerland Net Worth adjusted for pension commitments. UK Net Worth adjusted for undervaluation of infrastructure assets. UK and Canada GDP data is prior year due to 31 March fiscal year end. For back-up on 2015 Greece government working draft balance sheet, see USC Global Leadership Summit presentation titled "Greece Government Working Draft Balance Sheet and Analysis of Third Programme Debt Relief" (mostimportantreform.info/uscsummit.html). Greece 2011 figures are backwards developed estimates, which is an economics methodology (not a methodology based on international accounting or audit standards).

Using Future Face Value of Restructured and Concessional Gross Debt is Nonsense

- Breaks both internationally agreed upon macroeconomic statistics and accounting rules.
- Ignores that time impacts the value of money.
- Ignores interest rates, maturities, re-payment provisions, rebates, and market realities.
- Ignores financial assets.
- Reports debt raised for cash buffers or investments in financial assets as a increase in debt burden.
- Would value €1,000 paid in 100 years earning almost zero interest as worth €1,000 today.

Harmonized Internationally Agreed Upon Rules Correctly Calculate the Present Value of Net Debt and Debt Relief

The Macroeconomic Statistics Rules:

- **ESA 2010** (European System of National Accounts): Passed by EU Parliament with the force of law.
- **2008 SNA** (System of National Accounts 2008): Produced under joint responsibility of the EC, IMF, OECD, UN, and WB.

The International Accrual Accounting Rules (consistent with IPSAS/IFRS):

- **Government Entities**:
  - **Benchmark Examples**: Australia, Austria, Canada, France, Hamburg, Hesse, Israel, New Zealand, North Rhine-Westphalia, South Africa, Switzerland, United Kingdom, and the United States.
  - **In Process Examples**: Brasil, Chile, China, Estonia, Portugal, Russia, Spain, United Arab Emirates, and the Vatican.
- **Public Sector Organizations Examples**: European Union, IMF, OECD, United Nations, World Bank.
- **Publicly Traded Companies**: All.

MGDD vs ESA: Rescheduling

Manual on Government Deficit and Debt

Implementation of ESA 2010

VII.3.3.2 Rescheduling of a loan

22. There is no real guideline for trea0ing such a case in ESA 2010. Mention is only made of debt restructuring in ESA 2010 20.236 which states the same principle related to the difference in value (without specifying that it is in nominal terms). It is mentioned in 2008 SNA but in a rather descriptive way indicating only in 20.107 b that it "may or may not result in a reduction in present value terms" whereas there is no mention of a possible capital transfer. Therefore, this manual brings a necessary clarification and in useful practical guidance for national accountants.

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ESA 2010

Debt operations

20.221 Debt operations can be particularly important for the general government sector, as they often serve as a means for government to provide economic aid to other units. The recording of these operations is covered in Chapter 5. The general principle for any cancellation or assumption of debt of a unit by another unit, by mutual agreement, is to recognise that there is a voluntary transfer of wealth between the two units. This means that the counterpart transaction of the liability assumed or of the claim cancelled is a capital transfer. No flow of money is usually observed, this may be characterised as a capital transfer in kind.

Other debt restructuring

20.236 Debt restructuring is an agreement to alter the terms and conditions for servicing an existing debt, usually on more favourable terms for the debtor. The debt instrument that is being restructured is considered to be extinguished and replaced by a new debt instrument with the new terms and conditions. If there is a difference in value between the extinguished debt instrument and the new debt instrument, it is a type of debt cancellation and a capital transfer is necessary to account for the difference.

Chapter 5: Valuation

5.19 Financial transactions are recorded at transaction values, that is, the values in national currency at which the financial assets and/or liabilities involved are created, liquidated, exchanged or assumed between institutional units, on the basis of commercial considerations.

5.20 Financial transactions and their financial or non-financial counterpart transactions are recorded at the same transaction value. There are three possibilities:

(c) neither the financial transaction nor its counterpart transaction is a transaction in cash or via other means of payment: the transaction value is the current market value of the financial assets and/or liabilities involved.

5.21 The transaction value refers to a specific financial transaction and its counterpart transaction. In concept, the transaction value is to be distinguished from a value based on a price quoted on the market, a fair market price, or any price that is intended to express the generality of prices for a class of similar financial assets and/or liabilities. However, in cases where the counterpart transaction of a financial transaction is, for example, a transfer and therefore the financial transaction may be undertaken other than for purely commercial considerations, the transaction value is identified with the current market value of the financial assets and/or liabilities involved.

MGDD vs SNA: Rescheduling

Manual on Government Deficit and Debt
Implementation of ESA 2010

VII.3.3.2 Rescheduling of a loan

22. There is no real guideline for trea0ing such a case in ESA 2010. Mention is only made of debt restructuring in ESA 2010 20.236 which states the same principle related to the difference in value (without specifying that it is in nominal terms). It is mentioned in 2008 SNA but in a rather descriptive way indicating only in 20.107 b that it "may or may not result in a reduction in present value terms" whereas there is no mention of a possible capital transfer. Therefore, this manual brings a necessary clarification and in useful practical guidance for national accountants.

System of National Accounts 2008

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Debt reorganization

22.106 There are four main types of debt reorganization:

b. Debt rescheduling or re-financing. A change in the terms and conditions of the amount owed, which may result or not in a reduction in burden in present value terms.

Debt rescheduling and refinancing

22.109 *Debt rescheduling (or refinancing)* is an agreement to alter the terms and conditions for servicing an existing debt, usually on more favourable terms for the debtor. Debt rescheduling involves rearrangements on the same type of instrument, with the same principal value and the same creditor as with the old debt. Refinancing entails a different debt instrument, generally at a different value and may be with a creditor different than that from the old debt.

22.110 Under both arrangements, the debt instrument that is being rescheduled is considered to be extinguished and replaced by a new debt instrument with the new terms and conditions. If there is a difference in value between the extinguished debt instrument and the new debt instrument, part is a type of debt forgiveness by government and a capital transfer is necessary to account for the difference.

22.111 *Debt rescheduling* is a bilateral arrangement between the debtor and the creditor that constitutes a formal deferment of debt-service payments and the application of new and generally extended maturities. The new terms normally include one or more of the following elements: extending repayment periods, reductions in the contracted interest rate, adding or extending grace periods for the repayment of principal, fixing the exchange rate at favourable levels for foreign currency debt, and rescheduling the payment of arrears, if any.

22.112 The treatment for debt rescheduling is that the existing contract is extinguished and a new contract created. The applicable existing debt is recorded as being repaid and a new debt instrument (or instruments) of the same type and with the same creditor is created with the new terms and conditions.

22.113 The transaction is recorded at the time both parties record the change in terms in their books, and is valued at the value of the new debt.

Council Regulation (EC) No 479/2009

Whereas:

(1). …the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community has been substantially amended several times. In the interests of clarity and rationality the said Regulation should be codified.

(4). The definition of 'debt' laid down in the Protocol on the excessive deficit procedure needs to be amplified by a reference to the classification codes of ESA 95.

IFRS 39 Passed by EC Parliament

The EC made the IFRS debt measurement standards **mandatory for all companies** listed on major stock exchanges in the EU from 2005.   Commission Regulation (EC). No.1864/2005 of 15 November 2005.

Key Stakeholders Obsession with Greece Nonsense Future Face Value of Debt and Debt Relief Numbers

- The cause of Greece current problems is the debt mountain (debt devil), which prevents prosperity.
- More debt relief on the debt devil is the holy chalice.
- It is unpatriotic not to ask for endless debt relief.
- Changing the terms of loans or offering more concessional loans is not recognized as having an impact on the balance sheet amount of debt.

Greece and Peer Balance Sheet Debt and Net Debt: 2013-2015

	Greece Historical Data:							
		2013	**2013 Revised**	**2014**	**2015**		**2013 Revised - 2015**	
							Delta	*% Change*
1.	Balance Sheet Debt	€ 124	€ 124	€ 124	€ 118		-€ 6	-5%
2.	Financial Assets	€ 91	€ 97	€ 71	€ 50		-€ 47	-48%
3.	**Balance Sheet Net Debt**	**€ 33**	**€ 27**	**€ 53**	**€ 68**		€ 41	155%
4.	GDP	€ 182	€ 180	€ 178	€ 173		-€ 7	-4%
5.	**Balance Sheet Debt / GDP**	**68%**	**69%**	**70%**	**68.4%**		0%	
6.	Financial Assets / GDP	50%	54%	40%	29%		-25%	
7.	**Balance Sheet Net Debt / GDP**	**18%**	**15%**	**30%**	**39%**		**25%**	
8.	Future Face Value of Debt	€ 319	€ 319	€ 317	€ 309		-€ 11	-3%
9.	Future Face Value / GDP	175%	177%	179%	178%		1%	
	Greece and Peer 2015 Data:							
		Greece	**Greece % of Peer Avg.**	**Peer Average**	**Portugal**	**Ireland**	**Spain**	**Italy**
10.	Balance Sheet Debt	€ 118			€ 206	€ 192	€ 1,070	€ 2,175
11.	Financial Assets	€ 50			€ 63	€ 76	€ 267	€ 390
12.	**Balance Sheet Net Debt**	**€ 68**			**€ 144**	**€ 116**	**€ 803**	**€ 1,786**
13.	GDP	€ 173			€ 179	€ 205	€ 1,079	€ 1,635
14.	Balance Sheet Debt / GDP	68%	62%	110%	115%	94%	99%	133%
15.	Financial Assets / GDP	29%	96%	30%	35%	37%	25%	24%
16.	Balance Sheet Net Debt / GDP	**39%**	**49%**	**80%**	**80%**	**57%**	**74%**	**109%**
17.	Future Face Value of Debt	€ 309			€ 229	€ 204	€ 1,088	€ 2,175
18.	Future Face Value / GDP	178%			128%	100%	101%	133%

GREECE 2013 BALANCE SHEET NET DEBT WAS INDEPENDENTLY VERIFIED BY A BIG-FOUR ACCOUNTING FIRM ON 15 AUGUST 2014.

Notes: Estimate as of January 2016.

Greece has Better Important Debt Metrics than Investment Grade Peers but Much Lower Credit Ratings and Much Higher Borrowing Costs

(% of GDP, except as otherwise indicated)

	Debt Relief through 2015	2015 Balance Sheet Net Debt	2016 Annual Debt Service	2016 Net Interest Payments	Next 5-Years Unfunded Debt Service	3-Year Government Bond Yields
Greece	**212%**	**39%**	**5%**	**0.9%**	**14%**	**7.51%**
Portugal	16%	80%	11%	4.5%	61%	1.12%
Spain	2%	74%	13%	3.0%	58%	0.09%
Ireland	7%	57%	9%	3.0%	49%	-0.15%
Italy	NA	109%	15%	4.1%	75%	0.10%

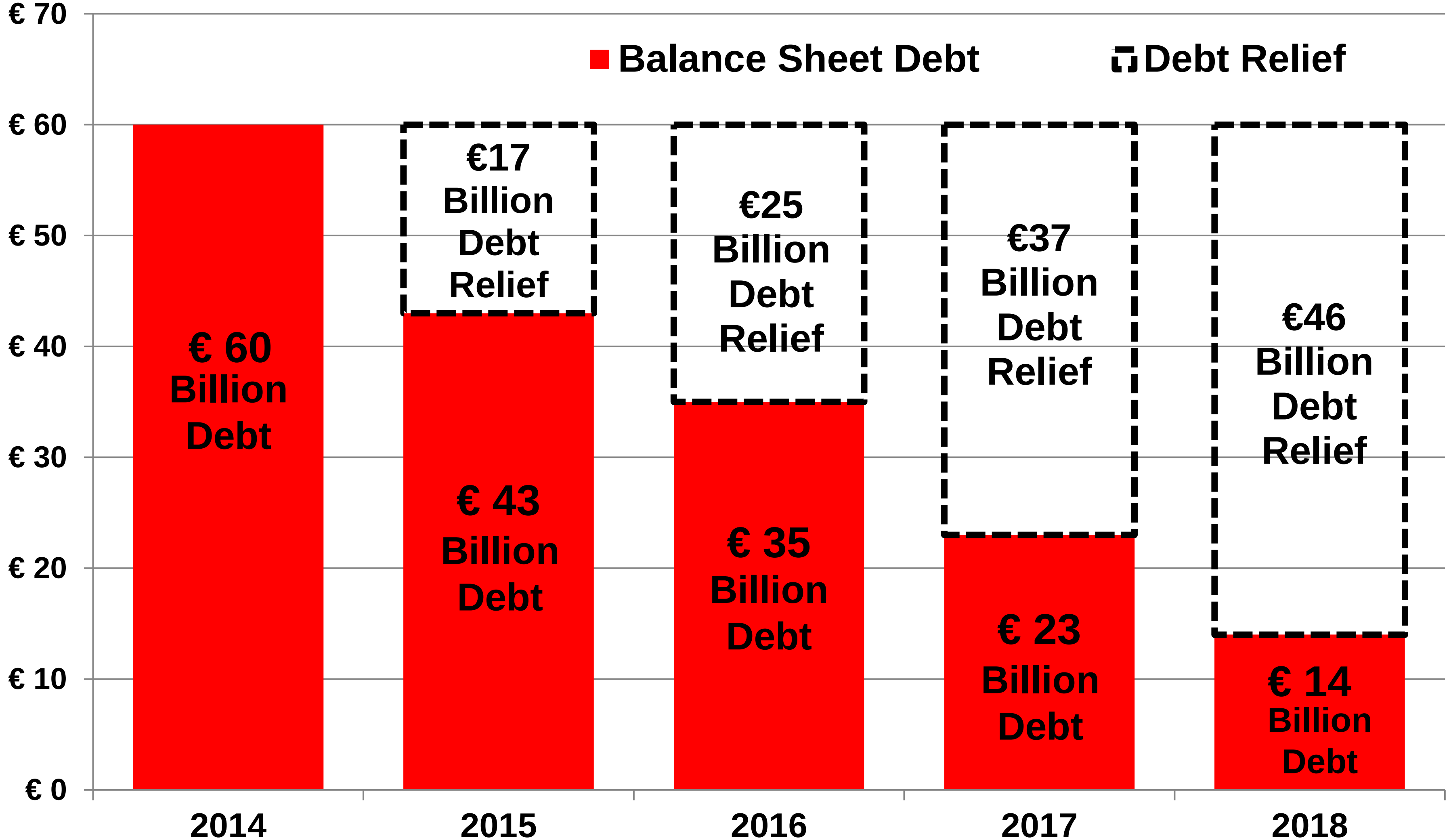
Future Face Value of Debt (Maastricht) as a percentage of GDP: Greece 177%, Ireland 94%, Spain 99%, Italy 133%, Portugal 129% (EC AMECO data accessed 5 May 2016). Yields as of 18 May 2016.

Sources: EC AMECO, Eurostat, IMF, Member State MOFs, Bloomberg, MostImportantReform.info.

Eurogroup Decision of 25 may 2016 may impact accounting for SMP/ANFA rebates.

ESM Third Programme for Greece has €46 Billion in Debt Relief

(€, Billions)



Note: Estimate as of 31 December 2015.

ESM Third Programme 2015-2025 Impact with €60 Billion in Funding through 2018

(€, Billions)

SN	Data Items	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1.	ESM Funding	€ 21.4	€ 10.0	€ 15.7	€ 12.9	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0
2.	Change in Net Worth (Cumulative)	**€ 17.0**	**€ 24.7**	**€ 36.8**	**€ 46.3**	**€ 45.6**	**€ 44.8**	**€ 43.9**	**€ 43.0**	**€ 42.0**	**€ 40.9**	**€ 39.7**
3.	Net Worth as % of GDP	**9.7%**	**14.1%**	**20.4%**	**25.2%**	**24.3%**	**23.4%**	**22.5%**	**21.6%**	**20.6%**	**19.7%**	**18.8%**
4.	Balance Sheet Debt Impact	-€ 11.6	-€ 19.2	-€ 31.2	-€ 40.7	-€ 39.9	-€ 39.0	-€ 38.0	-€ 37.0	-€ 35.9	-€ 34.7	-€ 33.5
5.	Balance Sheet Debt Impact as % of GDP	-6.6%	-11.0%	-17.3%	-22.1%	-21.2%	-20.4%	-19.5%	-18.6%	-17.7%	-16.8%	-15.8%
6.	Balance Sheet Net Debt Impact	-€ 17.0	-€ 24.7	-€ 36.8	-€ 46.3	-€ 45.6	-€ 44.8	-€ 43.9	-€ 43.0	-€ 42.0	-€ 40.9	-€ 39.7
7.	Balance Sheet Net Debt Impact as % of GDP	-9.7%	-14.1%	-20.4%	-25.2%	-24.3%	-23.4%	-22.5%	-21.6%	-20.6%	-19.7%	-18.8%

Note: Estimate as of 31 December 2015.

D - C - C

The Middle "C" in D-C-C

Changing systemic misperceptions through relentless education at all levels and globally.

- Required building a very large team of specialists (and relationships) across a wide-range of professional sectors. Currently approaching 200 professionals.
- Educations materials range from the previously unthinkable most basic to the most complex and esoteric.

MOST IMPORTANT REFORM

Japonica Briefing Materials on Greece Government (1 of 2)

AMERICAN-HELLENIC CHAMBER OF COMMERCE

BANK OF GREECE
EUROSYSTEM

CESifo

CEPS

CIPFA The Chartered Institute of Public Finance & Accountancy

e – κύκλος
ΙΔΕΕΣ ΓΙΑ ΤΗΝ ΕΘΝΙΚΗ ΑΝΑΣΥΓΚΡΟΤΗΣΗ

EUROPEAN CENTRAL BANK
EUROSYSTEM

European Commission

EGPA/IIAS
European Group for Public Administration

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ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ
Υπουργείο Οικονομικών

IFAC International Federation of Accountants®

Japonica Briefing Materials on Greece Government (2 of 2)

IIF Institute of International Finance

University of Oxford — Institute for New Economic Thinking at the Oxford Martin School

IPSASB

International Monetary Fund

Intereconomics — Review of European Economic Policy

London Business School

OECD

GR PMI Greece Chapter

Standard & Poor's Ratings Services — McGraw Hill Financial

USC University of Southern California

USC Global Leadership Summit

April 2016

"Fresh Start" from a Management Perspective: HBS Case Study – 16 June 2015

HARVARD | BUSINESS | SCHOOL

N2-115-063
JUNE 16, 2015

GEORGE SERAFEIM

Greece's Debt: Sustainable?

After six years of economic recession, substantial disagreement surrounded the level of indebtedness of Greece and whether the country had actually too much debt, which needed to be subject to a haircut, or too little debt, which actually represented a competitive advantage. The situation was further complicated by an announcement, made in May 2015 by the Greek deputy finance minister Dimitris Mardas, that Greece would adopt accrual accounting and the International Public Sector Accounting Standards (IPSAS).[a] This announcement was previously made several times since the beginning of the crisis but was never fulfilled.[1]

"**Present value** of net debt is the only debt number that is meaningful and complies with international accounting and statistics rules; future face value is a meaningless and destructive number." George Serafeim, HBS Professor – July 2015

Thought Leader Comments on the Importance of Correctly Calculating Greek Government Debt (1 of 3)

SN	LAST NAME	FIRST NAME	ORGANIZATION	ARTICLE TITLE	PUBLICATION
1.	Bakker	Bert	Amsterdam School of Comm. Research, Univ. of Amsterdam	Greek Debt and the Babel-like Confusion of Tongues	Accountant.nl
2.	Bakouris	Costas	Transparency International	Opacity in the Management of the Public Finances	Naftemporiki
3.	Ball	Ian	CIPFA	CIPFA Urges Greek Government to Use IPSAS to Correct Over-Statement of Debt	CIPFA
4.	Ball	Ian	CIPFA	Don't Mention the Debt	Public Finance International
5.	Ball	Ian	CIPFA	Greece Adopts IPSAS!	Public Finance International
6.	Ball	Ian	CIPFA	The Greek Elephant in the Room	Business Partners
7.	Ball	Ian	CIPFA	What Greek Accounting Woes Can Teach Asia	Strait Times
8.	Ball	Ian	CIPFA	Would IPSAS help Greece?	Public Money & Management
9.	Bruce	Robert	*Accountancy* magazine	False Profits	Accountancy Futures
10.	De Grauwe	Paul	London School of Economics	Greece is solvent but illiquid: Policy implications	VOX
11.	De Grauwe	Paul	London School of Economics	Greece is Solvent, but Illiquid: What Should the ECB Do?	CEPS Commentary
12.	Dunbar	Nick	*Risk* magazine (former)	The Eternal Greece of the Financial Engineer's Mind	Nick Dunbar Blog
13.	Gros	Daniel	CEPS	A Greek Way Out?	CEPS Commentary
14.	Gros	Daniel	CEPS	Can the Greek State Pay for Itself?	CEPS Commentary
15.	IFAC		IFAC	Sovereign Debt Crises - Accounting Matters	IFAC
16.	IMF		IMF	Greece Preliminary DSA (26 June 2015)	IMF
17.	IPSASB		IPSASB	Accounting for Sovereign Debt Restructuring Under IPSAS	IFAC
18.	Kazarian	Paul	Japonica Partners	Greece's New Agreement with Europe: Is This Time Different?	Intereconomics
19.	Kazarian	Paul	Japonica Partners	How to Turnaround a Country	Kathimerini
20.	Kazarian	Paul	Japonica Partners	What Greek Accounting Woes Can Teach Asia	Strait Times
21.	Kostas	Stavros	Chamber Taxation Committee	IPSAS - And the Real Economic Burden of Greek Sovereign Debt	Business Partners
22.	Lauk	Kurt	Economic Council of the Christian Democratic Party	No Permanent Provision for Greece	Economic Council Letter to Members of the CDU/CSU Parliamentary Group
22.	KPMG		KPMG	Expert's Opinion: Revaluation of Greece Financial Liabilities and Discussion on the Implications to the Net Debt Amount of Greece Compared to its Peers as of December 31, 2013	KPMG

Thought Leader Comments on the Importance of Correctly Calculating Greek Government Debt (2 of 3)

SN	LAST NAME	FIRST NAME	ORGANIZATION	ARTICLE TITLE	PUBLICATION
23.	Lauk	Kurt	Economic Council of the Christian Democratic Party	No Permanent Provision for Greece	Economic Council Letter to Members of the CDU/CSU Parliamentary Group
24.	Merkel	Angela	German Chancellor	Germany Merkel: Payback Periods For Greece Could Be Changed	MNI News
25.	Mourdoukoutas	Panos	Long Island University	Greece's Net Debt is 18% of GDP, Not 175%. What's Germany's?	Forbes
26.	Mourmouras	Iannis (John)	Bank of Greece	Greek debt relief talks to focus on net present value, central banker says	Reuters
27.	Olympios	Spyros	Hellenic Insititute of Logistics Management	An Unspoken Huge Advantage	Business Partners
28.	Paisley	Laura	USC	Here's How Countries Can Achieve Accountability	USC News
29.	Pappas	George	International Center for Legal Studies	The Greek Debt 'Confidence Trick'	Critical Legal Thinking Blog
30.	Pehlivanidis	Yiannis	NBG (former)	Greece Has Earned the Right to Compete Fairly	Business Partners
31.	Pelagidis	Theodore	University of Piraeus	Greece's New Agreement with Europe: Is This Time Different?	Intereconomics
32.	Pelagidis	Theodore	University of Piraeus	The Greek Bailout Drama: Is This Time Different?	Brookings Institute
33.	Regling	Klaus	ESM/EFSF	Bailout Fund Boss Says Current Greek Debt Analysis ‘Meaningless’	WSJ
34.	Regling	Klaus	ESM/EFSF	How Greece Benefitted from European Debt Relief	ESM Annual Report 2014
35.	Schumacher	Julian	University of Mainz	Debt Sustainability Puzzles: Implications for Greece	VOX
36.	Serafeim	George	Harvard Business School	Greece Bailout Includes €50 Billion Asset Fund. Here's How to Avoid Wasting It	The Conversation
37.	Serafeim	George	Harvard Business School	Greece's Debt: Sustainable?	HBS Case Study
38.	Serafeim	George	Harvard Business School	How to Turnaround a Country	Kathimerini
39.	Soll	Jacob	USC	Greece Owes Less Than Europe Says	Politico

Thought Leader Comments on the Importance of Correctly Calculating Greek Government Debt (3 of 3)

SN	LAST NAME	FIRST NAME	ORGANIZATION	ARTICLE TITLE	PUBLICATION
40.	Soll	Jacob	USC	Greece's Accounting Problem	NYTimes
41.	Soll	Jacob	USC	The European Problem We Aren't Talking About: Where Are the Accountants?	Politico
42.	Spahn	Jens	Germany Ministry of Finance	Interview: Germany Seeking Greek Debt Relief, Not Haircut	Bloomberg
43.	Spirtounias	Elias	American-Hellenic Chamber of Commerce	Jump Start Investments and New Jobs in Greece with Good Government Accounting	Business Partners
44.	Steger	Gerhard	Budget and Public Finance Austria	Moving to International Accounting Standards: The Austrian Case	NESAS Athens
45.	Steiger	Wolfgang	Christian Democratic Union (CDU) of Germany	No Permanent Provision for Greece	Economic Council Letter to Members of the CDU/CSU Parliamentary Group
46.	Sycip	Washington	Asian Institute of Mgmt / SGV	What Greek Accounting Woes Can Teach Asia	Strait Times
47.	Thomadakis	Stavros	IFAC	"Debt Valuation, Public Management and the International Public Sector Accounting Standards"	Presentation to the Hellenic-American Chamber of Commerce
48.	Tornero	Carlos	Timetric	Greece's Bailout Package: Missing IPSAS?	The Accountant
49.	Truglia	Vincent	Moody's (Former)	Greece and the Eurozone at a Tipping Point	Clear & Candid Blog
50.	Truglia	Vincent	Moody's (Former)	Greece: 21st Century "War Between the States"?	Clear & Candid Blog
51.	Truglia	Vincent	Moody's (Former)	Bloomberg Editorial Response	Bloomberg
52.	Tzanninis	Dimitri	IMF (Former)	The ECB Collateral for Greece Must be Lowered to 5 Percent	Business Partners
53.	Venizelos	Evangelos	Hellenic Republic Parliament	Mr. Mardas Lied Shamelessly Trying to Mislead the House	Speech to Parliament
54.	Weder di Mauro	Beatrice	University of Mainz	Debt Sustainability Puzzles: Implications for Greece	VOX
55.	Westfall	Christopher	Financial Executives Intl	Greece Needs an Accounting Revolution	FEI Daily
56.	Whiteman	Robert	CIPFA	The Irony of Greek Debt and German Demands	Global Government Forum

Illustrative Comments on Correctly Measuring Greece Debt: International (1 of 2)

1. **Germany Deputy Minister of Finance Jens Spahn**: Debt burden should be assessed based on "net present value of debt" and "how much in fact does Greece have to pay per year". (Bloomberg, 2 Sep 2015)
2. **European Stability Mechanism Managing Director Klaus Regling**: Greece debt ratio is meaningless (WSJ, 26 Sep 2013) given very generous concessional terms on the debt, and the debt relief should be measured using net present value (ESM Annual Report, 18 Jun 2015)
3. **Germany Chancellor Angela Merkel**: "It is rightful that we do not ask about the 120% debt [to GDP] ratio, but ask, what is the actual burden on Greece from its debt service." (Axia, 1 Sep 2015)
4. **IMF**: Given the extraordinarily concessional terms that now apply to the bulk of Greece's debt, the debt/GDP ratio is not a very meaningful proxy (Greece Preliminary DSA 26 Jun 2015). For the first time in a public document, IMF prominently cites net present value of Greece debt relief, which is cited five times in the document. (Greece Preliminary DSA May 2016).
5. **CDU Economic Council**: It is the present value of a loan that is decisive, not the nominal value. Greece debt is significantly lower than thought. This 'competitive edge' is kept quiet. (Letter to Members of the CDU/CSU Parliamentary Group, 24 Feb 2015)

Illustrative Comments on Correctly Measuring Greece Debt: International (2 of 2)

6. **Former Chairman of IFAC and CIPFA International Ian Ball**: Greece debt at 180% is incorrect and indefensible. Using international accounting standards the number would be 68%. If this is not the appropriate method, then every major company around the world is measuring its debt wrong. (FT, 12 Aug 2015)
7. **Former Head of Moody's Sovereign Bond Ratings Vincent Truglia**: Of course face value of Greece debt is a sham and a foolish approach. In present value terms, the number is much lower. (Clear and Candid, 30 Dec 2014)
8. **Former Member of German Council of Economic Experts Beatrice Weder di Mauro**: The present value of outstanding Greek debt is now about 100% of GDP. (Brookings, Sept 2015)
9. **Harvard Business School Professor George Serafeim**: Greece net debt as a percentage of GDP could at the end of 2013 have been as low as 20%. (HBS presentation – Dublin, Sep 2015)
10. **USC History of Accounting Professor Jacob Soll**: If the Greek net debt were to be calculated using International Public Sector Accounting Standards (IPSAS), it could be as low as $36 billion – a small fraction of the political number. (Politico, May 2015)
11. **The Accountant Editor Carlos Tornero**: Under international accounting, Greece's debt burden as a percentage of GDP would be lower than Germany's. (Cover Story, Sept 2015)

Illustrative Comments on Correctly Measuring Greece Debt: Within Greece (1 of 3)

1. **Kyriakos Mitsotakis (President of New Democracy):** The public debt is not the most fundamental problem of the Greek economy… a very interesting debate has begun… on the accurate representation of the public debt in present value terms. (Speech to Hellenic Republic Parliament, 22 May 2016)
2. **Former Deputy Prime Minister and Finance Minister Evangelos Venizelos**: Since the beginning of 2012, Greece has received a debt reduction of more than €200 billion: €100 billion in nominal terms, and another €100 billion in net present value terms. (Speech to Hellenic Republic Parliament, 4 Dec 2015)
3. **Deputy Minister of Foreign Affairs and Former Deputy Finance Minister Dimitris Mardas**: Greece government debt would be recorded at net present value taking into consideration the current value of the debt discounted by their expiry date on the basis of the market. (Economist Government Roundtable Speech, 14 May 2015)
4. **Former Finance Minister Gikas Hardouvelis**: Greece was offered substantial debt relief through the PSI of February 2012 as well as maturity extensions, interest rate reductions and even a grace period in its interest rate obligations… The long maturities, low yields and grace period render the true (present) value of debt obligations very small relative to its nominal (face) value. (World Post, 29 Feb 2016

Illustrative Comments on Correctly Measuring Greece Debt: Within Greece (2 of 3)

5. **Bank of Greece Deputy Governor Iannis (John) Mourmouras**: Future talks on debt relief for Greece will focus on the "present value of Greece debt". (AmCham Greek Economy Conference Speech, 1 Dec 2015)
6. **Former Finance Minister Yannis Varoufakis:** A Misunderstanding - The misunderstanding regarding Greece solvency owes to the fact that the blunt 175% Debt-to-GDP number does not fully describe the actual burden to public debt over the economy. Indeed, if Greece's debt was calculated in NPV terms, say with a 5% discount rate factor, the Debt-to-GDP ratio would already be as low as 133% of GDP. (Eurogroup Non-Paper, 16 Feb 2015)
7. **Former Minister of Economy and Finance Nikos Christodoulakis**: I agree that the present value of the debt is the right way to look at the debt stock. Debt is not the issue, it's about growth. (CEPS, 9 Feb 2016)
8. **Brookings Institute Senior Fellow Theodore Pelagidis**: Undermining business confidence for political reasons by saying that debt is unsustainable? A vicious circle of political risk and debt sustainability. Greece debt metrics are a fraction of peers, but its borrowing costs are almost 1,000 bps greater. Why? The political risk again is the answer. Numbers are even better when using present value, not future face value. (LSE, 1 Mar 2016)

Illustrative Comments on Correctly Measuring Greece Debt: Within Greece (3 of 3)

9. **PWC Greece:** The net present value of Greece government debt is less than half of its nominal value. (Directions for Economic Recovery in Greece, Sep 2013)
10. **American-Hellenic Chamber of Commerce Executive Director Elias Spirtounias**: When accounted for correctly, Greece's net debt to GDP is significantly below 60%, not the often cited figure of 175%. (Nov 2014)

CEPS Government Balance Sheet Task Force

- The Centre for European Policy Studies (CEPS), one of Europe's leading think tanks and based in Brussels.
- Task Force Title: "Improving Fiscal Performance Assessment & Transparency: How Better Managing Government's Balance Sheets Can Enhance Productivity and Growth"
- Chair: Enrico Giovannini, former President of the Italian Statistical Institute (Istat)
- First meeting Friday 24th June 2016

USC Global Leadership Summit: Rating Agency Panel

April 2016

Proposed Adding a 20% Weighting to a Sovereign Financial Management Index

Total Ranking: 0-20 (Poor), 20-30 (Fair), 30-40 (Good), 40+ (High)

		Weighting	Ranking
Qualitative Factors		50%	
	Rankings: 0 (Worst), 1 (Poor), 2 (Fair), 3 (Good), 4 (Best)		
1.1	Accounting Principles	7%	
1.2	Audit	7%	
1.3	Budget	7%	
1.4	Financial Statements	7%	
1.5	Fiscal Management	7%	
1.6	Fiscal Oversight	7%	
1.7	Human Capital	7%	
Quantitative Factors		50%	
	Quartile Rankings: 1 (Bottom), 2 (Second), 3 (Third), 4 (Top)		
2.1	Net Worth Value Creation Ratio	7%	
2.2	Net Worth Return on Asset Ratio	7%	
2.3	Net Worth % of GDP - Latest	7%	
2.4	Net Worth Annual % Change	7%	
2.5	Total Liabilities Value Creation Ratio	7%	
2.6	GDP Change to Debt Change Ratio	7%	
2.7	Net Debt % of GDP - Latest	7%	
Total:		100%	

USC University of Southern California

USC GLOBAL LEADERSHIP SUMMIT 2016

Ten IMF Best Practices Yet to be Applied to the Greece Program

USC Global Leadership Summit
29 April 2016
University of Southern California
Los Angeles, California

Best Practice #2: Emulate IMF Use of IFRS for its Financial Statements

"The [IMF] consolidated financial statements of the General Department are prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (IASB)." (IMF 2015 Financials Statements p.9)

IMF Financial Statements externally audited by PricewaterhouseCoopers (PwC) to be in compliance with IFRS. (IMF 2015 Annual Report p.70)

Best Practice #6: Recognize Present Value of Debt for Measuring Concessional Financing

IMF Staff Guidance Note prepared by the IMF and the World Bank (April 2007):

1. Countries that primarily rely on concessional financing, the net present value (NPV) of debt is needed to be informative as a measure of a country's effective debt burden. (p.25)
2. This [debt] burden is best measured using the net present value (NPV) of debt to capture the concessionality of outstanding debt. (p.7)
3. NPV debt ratios are summary indicators of the burden represented by the future obligations of a country and thus reflect long-term risks to solvency. (p.7-8)

DSA LIC Framework (5 Nov 2013):

Debt stock indicators in the DSF are in present value rather than nominal terms. (p.12)

IMF Factsheet (7 Apr 2016):

Discusses use of present value of debt. (p.1)

Best Practice #7: Having Admitted that Future Face Value of Debt is Not Meaningful, Stop Using for Primary Balance Targets

“Given the extraordinarily concessional terms that now apply to the bulk of Greece’s debt, the debt/GDP ratio is **not a very meaningful proxy** for the forward-looking debt burden.” (IMF Greece DSA, 26 June 2015, p.11)

The IMF should stop using a **future face value of debt to GDP target of 110%** by 2022 (IMF Greece DSA, 26 June 2015, p.1 and IMF Greece DSA Update, July 2015, p.1) and requiring a **3.5% primary balance policy target** (IMF Greece DSA, 26 June 2015, p.4 and IMF Greece DSA Update, July 2015, p.2).

Best Practice #8: Use Net Debt, in Addition to Gross Debt, as an Important Metric

IMF Staff Guidance Note (May 2013):

1. Staff should consider three important issues including gross versus net debt. (p.8)
2. Complementary analysis based on net debt presented to show the impact of risk-mitigating factors. (p.8)
3. The use of a standard statistical definition of net debt in line with the Public Sector Debt Statistics Guide is recommended. (p.9)

Best Practice #9: Correctly Calculate Debt Service and Not Confuse with Gross Financing Needs

- IMF Staff Guidance Note (5 Nov 2013), p.11: "the evolution of debt-service ratios provides an indication of the likelihood and possible timing of liquidity problems." Debt service defined as principal and interest payments.
- IMF Factsheet (7 Apr 2016) discusses use of debt service.
- Greece 2016 Debt Service, which is interest expense and principal payments less rebates and deferrals, is 43% of peers:

	Debt Service % of GDP	IMF Gross Financing Needs (GFN) % of GDP
Greece	5%	19%
Portugal	11%	20%
Ireland	9%	9%
Spain	13%	17%
Italy	15%	17%
Peer Average	12%	14%
Greece % of Peer Average	43%	135%

Notes: Debt Service is 2016 estimate based on Bloomberg, EC, and IMF data; Greece adjusted for deferred interest, SMP/ANFA rebates, and interest savings related to 2016 ESM funding.

NYT Front Page: 21 Feb 2015

International New York Times
SATURDAY-SUNDAY, FEBRUARY 21-22, 2015

How bad is Greek debt? The answer may surprise

One man campaigns to convince investors it's not as big as they think

BY LANDON THOMAS JR.

High in a Morgan Stanley office tower, [illegible]l B. Kazarian, one of the largest [illegible] of Greek government bo[illegible] was [illegible] trying to persu[illegible] full of inves[illegible] debt load of 318 billion euros was actually a tenth that size.

When you use international accounting standards, he declared, "it reduces the value of the debt."

Yet with Greece's debt woes whipsawing markets, the conference participants were having a hard time wrapping their brains around the notion. Not least one panelist, Reza Moghadam, a Morgan Stanley banker who, in his previous job at the International Monetary Fund, was the point man for the Greek bailouts.

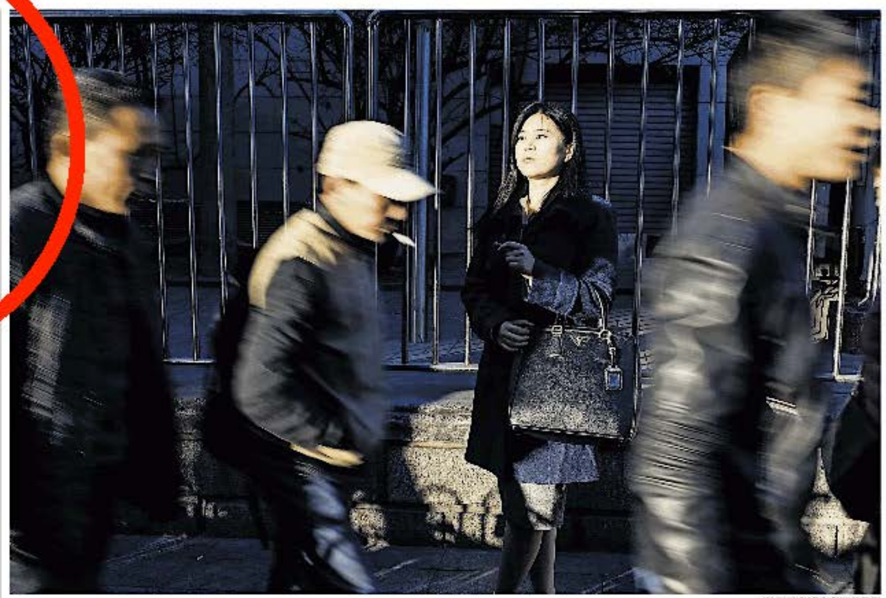
"I don't think it is as simple as that," Mr. Moghadam said, as he broke into Mr. Kazarian's monologue. "And really, we should let some other people ask questions too."

As the new Greek government and European finance ministers remained locked in 11th-hour talks in Brussels on Friday over how to pare Greece's debt burden, which at 175 percent of total economic output trails only Japan's, Mr. Kazarian's claim that there is no debt to reduce has an absurdist feel to it. After all, the country's debt, and the brutal austerity measures that were imposed in return for a financial lifeline, lie at the heart of the dispute between Greece and its creditors.

As Greece and the rest of Europe ap-

GREECE, PAGE 10

WEIGHING THE COST OF KEEPING GREECE The talks have raised a basic question: What cost are European leaders willing to bear to keep Greece in the eurozone? *PAGE 10*. More news and analysis over the weekend. **nytimes.com/business**



SIM CHI YIN FOR THE NEW YORK TIMES

Fu Xin, 32, an architect who designs car dealerships, said she rarely finds women at her level. When she meets clients at the airport, "they often look past me for the boss," she said.

Boom in China leaves women behind

BEIJING

Socialist equality yields to sexism and a revival of traditional values

BY DIDI KIRSTEN TATLOW AND MICHAEL FORSYTHE

Fresh out of college, Angela Li was proud of her job as a teller at the state-owned China Everbright Bank — maybe it wasn't exciting, but it had prospects. After a year and a half she applied for a promotion, along with a male colleague who had joined with her.

He got it. She did not.

"Our boss came to talk to me afterwards," said Ms. Li, 25, sporting scraped-back hair and a quiet gaze. "He said, 'It's good that you girls take your work seriously. But you should be focusing on finding a boyfriend, getting married, having a kid.'"

Ms. Li quit. "I could compete in terms of ability, but not in terms of gender," she said.

China is often held up as a model for women in Asia. Women made great strides in the early decades of Communist rule, and the government has taken pains to portray women as equal to men, starting with Chairman Mao's declaration that women "hold up half the sky."

More recently, as China has shifted to a market economy, admiring reports of "wonder women," often promulgated by the state media, suggest that Chinese women have made it in business.

In fact, Ms. Li's experience is more typical. The economic boom that has created opportunities for women has also fostered a resurgence of long-repressed traditional values. More and more men and women say a woman's place is in the home, wealthy men take mistresses in a contemporary reprise of the concubine system, and the pressure for women to marry young is intense. In the office, Socialist-era egalitarianism has been replaced by open sexism, in some cases reinforced by the law.

In Japan, where women fare even

WOMEN, PAGE 5

ISIS videos show power of brutality's shock value

BEIRUT, LEBANON

A propaganda strategy spreads, and is adapted, even among opponents

BY ANNE BARNARD

The killings have been both deliberately lurid and strangely intimate. Designed for broadcast, they have helped the Islamic State militant group build a brand of violence that shocks with its extreme brutality, yet feels as close to viewers as the family images on their smartphones.

Broadcast specifically to frighten and manipulate, the Islamic State's flamboyant violence consumes the world's attention while more familiar threats, like the Syrian government's barrel bombs, kill far more people but rarely provoke widespread outrage.

A few human rights advocates and antigovernment activists in Syria are trying to reciprocate, creating shocking if nonviolent images and videos — even herding children in orange jumpsuits into a cage — to call attention to the wider scope of violence. So far, though, their voices have hardly been heard.

The Islamic State's campaign of high-profile killings is not war at a remove, with the mechanized distance of drone strikes or carpet bombing. It is one-on-one slaughter with Hollywood production values, seeking to maximize emotional impact and propaganda value.

Cameras zoom in as captors lay hands on their captives — Western reporters, a Jordanian pilot, Egyptian Christian laborers. In the group's latest video, black-clad men lead the Egyptians al-

"It's like action movies," a bid "to win the prestige of horror."

most gently, one by one, down a sunset-tinged beach, then saw off their heads until the waves turn red.

For many in the Middle East who obsessively share the latest images, the Islamic State's exhibitionist brutality is the

The Accountant: Power 50 Editorial Picks

Ian Ball, Paul Kazarian, and the IPSAS Board

Ball and Kazarian are in this list for their work in promoting transparent and sound public finance management, a necessity which was epitomised by the Greek economic and political crisis.

An incredible series of events which shook the foundations of the European Union and brought to the forefront the question of what this union is all about. At the center of the commotion was Greece's debt, and bailout negotiations. Under the Maastricht Treaty's rules the Greek debt is 175%-180% of GDP. But under IPSAS, Greece's [31 Dec 2013] gross debt would be 68% of GDP and its net debt 18% - lower than Germany's.

Leading the debate on transparency and sound public finance management in the Greek case was former investment banker Paul Kazarian who through the campaign "The Most Important Reform" informed the debate on public sector accounting.

D - C - C

The Final "C" in D-C-C

Creating value from low hanging fruit with a Professional Turnaround Manager (PTM) and team by rapidly closing the value gap using 100-day plans, which key stakeholders believe are impossible.

USC Global Leadership Summit: Greece Government Panel

April 2016

Benefits of a Starting a “Super Boost” from Pushing Down the Crushing Greece Government Bond Yields to Portugal Levels

1. Lowering borrowing costs for everyone.
2. Increasing value of real estate, reducing NPLs, and reawakening construction markets.
3. Increasing government revenues and asset values.
4. Boosting commerce including: small businesses, exports, FDI, and equity markets.
5. Jump starting 200,000+ sustainable new jobs within the next 24 months.
6. Saving almost €450 million annually on T-Bills.

Focus on Pushing Down Government Yields (the "Spread") Compared to Portugal

(As of 31 May 2016)

	T-Bills	3-Year	10-Year
Greece	2.97%	7.37%	7.18%
Portugal	0.02%	1.04%	3.05%
The "Spread"	2.95%	6.33%	4.13%

- Reducing the "spread" lowers everyone's borrowing costs, increases real estate prices, and creates jobs.
- Public service announcements of spread daily in print, TV, and radio media.

Greece Government Bond Yields are 5.57% Higher than Peers (the "Spread"), Crushing the Economy

(As of 31 May 2016)

	10-Year Yield-to-Maturity
Greece	7.18%
Portugal	3.05%
Ireland	0.67%
Spain	1.39%
Italy	1.35%
Peer Average	1.62%
The "Spread"	5.57%

Asset Values Have the Potential to Increase over 100% when Government Bond Yields Decline to Portugal, Reducing NPLs

Illustrative Example:

Recent Value	€ 155,000
Annual Income	€ 16,000

	10-Year Gov't Bond Yields	Risk Premium	Cost of Capital	Asset Value	% Increase from Current Value
Recent Value	**7.18%**	**3%**	**10.18%**	**€ 157,000**	**NA**
	7%	3%	10%	€ 160,000	2%
	6%	3%	9%	€ 178,000	13%
	5%	3%	8%	€ 200,000	27%
	4%	3%	7%	€ 229,000	46%
Portugal	**3.05%**	**2%**	**5.05%**	**€ 317,000**	**102%**
	3%	2%	5%	€ 320,000	104%
	2%	2%	4%	€ 400,000	155%

Note: Asset Value is Annual Income divided by Cost of Capital.

Public Administration Without Turnaround Management Experience

1. Has yet to use the rules to educate that Greece has a huge debt competitive advantage, not a debt mountain.
2. Has no financial statements, has no balance sheet, and cannot measure change in government net worth.
3. Uses single-entry cash-basis accounting systems.
4. Has no turnaround managers.
5. Cannot successfully manage what is not accurately measured.

Accounting Failed Attempts History

Greece has had seven failed attempts at implementing government accrual accounting:

1: 1992 – Greek Ministry of Economy pushes for accrual accounting

2: 1998 – Presidential Decree for double-entry accounting systems for public bodies and institutions.

2003 – Public hospitals in Greece to implement accrual accounting

3: 2005 – Greece law passed for public entities to use IAS (IFRS)

2006 – SEV publicly supports adoption of IPSAS

2008 – EC recommends, unofficially, that Greece implement IPSAS

4: 2009 (March) – Greece self-reports to OECD that it has full accrual based financial statements

2009 – Greece big four accounting firms plus locals form IPSAS committee

2010 – IPSAS Greece government training of low level employees started (not Minister or MP level)

2011 – IPSAS Greece government training stopped prior to certification exams

5: 2011/12 – IPSAS Greece projects started

2012 (April) – IPSAS conference in Athens

2013 – IPSAS Greece projects stopped with expiration of funds

2014 (June) – Public tender for computer accrual accounting systems pending

6: 2014 (December) – For the fifth time, Government again promises to adopt IPSAS “next year” ignoring that implementation could start today

7: 2015 (May) – MoF announces intension to adopt IPSAS, forms committee, but no tangible results.

Brazil and Argentina Demonstrate Market Benefits of Professional Management Teams

- Brazil: Government appoints **"real superstars"** to finance team. (FT, May 2016)

- Argentina: Argentina now has the **"best economic policy teams"** in Latin America. (FT, April 2016)
  - Within 50 days of legal settlement receive almost $70 billion in orders and sold $16.5 billion in bonds including 30-year bonds.

Professional Turnaround Manager for Greece
May 2016 Update

- **Advertisements:** FT, NYT, and Greek (Q1 2016).
- **Qualifications:** globally respected, turnaround successes, finance and accounting experience, rating agency and SWF relationships.
- **Responsibilities:** opening balance sheet, major changes in net worth, SWFs, rating agencies.
- **Terms:** open-ended term of service (two years expected). Pro bono compensation.
- **Politically acceptable:** no one is replaced, no legal power, no perks, no sovereignty issues.
- **Vetting Process:** Q2 2016.
- **Candidates:** top ten shortlist Summer 2016.
- **Designation Announcement:** Summer 2016.

Professional Turnaround Manager 100-Day Accomplishments

(A) Verifiable estimate of 2015 Greek government major balance sheet items.

(B) Presentations using correctly calculated, under international rules, Greece and peer government debt numbers, especially balance sheet net debt, annual debt service, net interest payments, debt projections, and debt relief.

(C) Presentations to rating agencies.

(D) Presentations to sovereign wealth funds.

Designate a World-Class Professional Turnaround Manager (PTM) for Greece

Professional Turnaround Manager Qualifications

- Globally Recognized Impeccable Integrity
- Successful Growth Turnarounds
- Unparalleled Knowledge of Greece Government Financials
- 100-Day Plan Skills
- Skills to Produce Best Practice Balance Sheet ASAP
- Trust and Confidence of Sovereign Wealth Funds
- Rating Agency Framework and successes
- Capital Markets Broad Knowledge
- Managed Over 5,000 Employees
- Pro Bono Compensation

Eurogroup May 2016 Statement on Greece

277/16 25/05/2016

For the long-term, the Eurogroup is confident that the implementation of this agreement on the main features for debt measures, together with a successful implementation of the Greek ESM programme and the fulfillment of the primary surplus targets as mentioned above, will bring Greece's public debt back on a sustainable path over the medium to long run and will facilitate a gradual return to market financing.

IMF May 2016 Comments

Poul Thomsen:

- We welcome that it is now recognised by all stakeholders that Greek debt is unsustainable. (25 May Eurogroup Press Conference 2016)

May 2016 DSA:

- Greece 2016 debt-to-GDP of 184% (Page 20) with baseline going to 250% by 2060 with GFN at 60% of GDP. (Page 5)
- Low-hanging fruit have been exhausted, and the scope for new significant measures is limited. (Page 11, Box 1)
- The [interest] rate is expected to fall/rise by four basis points for every one percentage point decline/increase in debt [at future face value]-to-GDP ratio. (Page 16, Box 3)

Greek MoF May 2016 Statements

Euclid Tsakalotos:

- Greece’s international creditors officially acknowledged for the first time that the country’s debt is not sustainable... (WSJ, 26 May 2016)
- Additional demands of the creditors cannot be fulfilled…(May 2016 Letter to official creditors)

George Houliarakis:

- Our aim is not to return to the markets quickly…(AP, 26 May 2016)
- It is not possible to maintain high primary surpluses for many years… (AP, 26 May 2016)

$100,000 Public Debate on Greek Government Debt

- Japonica will donate to the favorite charities of the current finance minister of Greece, Euclid Tsakalotos, and the IMF Greece senior staffer, Poul Thomsen, a total of US$100,000 if they participate in a three hour public debate on correctly calculating Greece Government balance sheet net debt, debt relief, and debt sustainability.

- Formal invitation letters to be sent 9 June 2016.

- Date and location to be determined.