

## Aralco Industria e Comercio S/A

### Aralco Creditors Meet to Discuss Restructuring Plan, Vote Postponed to Monday

Creditors of Aralco Industria e Comercio SA met on Wednesday in the city of Araçatuba, where the company filed for bankruptcy protection earlier this year, but they postponed a vote to confirm a much-debated restructuring plan in order to provide more time for investors who have small positions to review the details of the plan under consideration, said a source present in the meeting. Another meeting will be held Monday, at which creditors will vote on the deal.

Aralco's restructuring plan appears to have the support of bondholders representing some \$200 million of the \$258 million in bond debt outstanding, but minority shareholders and some creditors who have small positions have expressed some trepidation, the source said.

The plan under consideration is similar to the proposal in July, with certain details that have since been negotiated, the source said. As a reminder, the deal that was extended to unsecured creditors outlined two restructuring scenarios, including the full repayment of debt over a 14-year period following a four-year grace period on principal and interest, or the conversion of up to 60% of the total debt into common equity through the issuance of 10-year warrants. The remaining debt was to be paid down in 10 years following a four-year grace.

According to the source at the meeting on Wednesday, the creditors will vote on a plan that is similar in nature to the second option presented under the original proposal. Specifically, the 2020 bonds will be paid down in two tranches. Some 60% of the debt will be swapped for 15-year convertible bonds, and the remainder will be swapped for a new 10-year note that carries a four-year grace and 12 semiannual coupon payments. The newly issued bonds would carry an interest rate of 3% a year, the source added.

To confirm the plan, the company needs support of more than half of all labor, secured and unsecured creditors present at the meeting and more than 50% in value of all credits held by secured and unsecured creditors. The vote Monday will also account for a new class of creditors, created by legislation approved in August, that accounts for the claims of small enterprises. They need support of at least 50% in number of creditors present at the meeting, the source added.

Aralco mandated Virtus BR Partners and DCA, a local law firm, to lead the restructuring. Creditors retained Felsberg e Associados and FTI Consulting. The company's total debt was estimated at around 1.8 billion reais (\$700 million) at the time the plan was presented to creditors. More than half of that was denominated in dollars.