

Brazil: crisis, business reorganization and investment opportunities

Brazil is in the midst of a complex political turmoil, which has been fueling a deep economic crisis. The outlook for the near future is uncertain. For Brazilians, the ongoing crisis is frightening and embarrassing. For international investors, however, the moment may be an outstanding opportunity for portfolio diversification.

In the current context, main players of the industrial, commercial and service sectors have already filed for judicial reorganization under the Brazilian Judicial Recovery and Bankruptcy Law, the Law # 11,101/2005 (Brazilian equivalent to United States Chapter Eleven procedure). This process of debt restructuring includes selling off assets and spinning off non-core businesses. Investors interested in this kind of equity usually encounter undervalued assets and company's shares at a lower price. Along with this scenario, there is a specific procedure intended to create grounds for investments able to save companies from the bankruptcy.

According to the rules governing the Judicial Recovery, a company under restructuring process must present a plan of recovering. Specifically, the plan has to itemize the measures to demonstrate its economic feasibility. Examples of these measures include disposal of goods, selling of subsidiaries or isolated production units of the debtor, as well as M&A operations or assignment of its shares at a lower price.

Concerning legal aspects, there are incentives for both debtors and investors. During the restructuration, the company's current lawsuits are temporarily suspended for 180 days. Investors, in their turn, benefit from the absence of any legal succession related to debtor's prior liabilities, including tax and labor debts.

This is a very interesting chance for investors seeking affordable and potentially profitable assets in Brazil. Considering that the dust will eventually settle and the Brazilian

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economy will get the track of growth again, strategic investor, private equity, venture capital and so on should benefit from gainful opportunities born in the heart of the crisis.

In sum, amid the political standoff and the economic crisis, several investment opportunities are emerging in Brazil. Contexts like these are usually the perfect timing to expand asset portfolios. Our team is actively engaged in several transactions linked to this scenario and will be glad to assist you in any way possible.

With best regards from Brazil,

Fraga, Bekierman & Cristiano Advogados

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