

Wednesday, 25 September 2013
by Rachel Hall

Rede obtains court approval for Energisa buy

Brazilian firms [Felsberg e Associados](#) and Lilla Huck, Otranto, Camargo, and the New York, Miami and São Paulo offices of White & Case LLP have helped struggling Brazilian energy conglomerate Rede win court approval for a restructuring plan which will see the group sold to Energisa, undoing an earlier agreement for a sale to Equatorial and CPFL.

The bankruptcy court of the state of Pará approved the reorganisation plan on 18 September after a vote at a meeting of Rede's creditors on 5 July. The plan will see corporate control of Rede transferred to Brazilian energy company Energisa, advised by Galdino e Carneiro Advogados and Stocche Forbes Padis Filizzola Clapis Advogados, in exchange for a commitment to invest some US\$1.5 billion. The plan remains subject to approval from electricity regulator ANEEL and antitrust authority CADE, which is expected to take some 60 days. [Pereira Neto | Macedo Advogados](#) is representing Energisa before CADE.

Rede, one of Brazil's largest private groups, is the controlling shareholder of eight electric utilities that supply energy to some 20 million consumers and originally filed for restructuring in November 2012 in a bid to ease its US\$3 billion debt burden. Lawyers have called the restructuring Brazil's largest commercial debt reorganisation proceeding since the enactment of the current bankruptcy law in 2005.

The deal represents a change of course for the Rede group's restructuring plan. Last December, the group [signed](#) an agreement to be sold to energy distributors Equatorial and CPFL. That agreement was binding up until 30 June, shortly before the creditors' meeting was scheduled to take place. At the creditors meeting, a majority vote decided to open up the possibility of alternative takeover proposals, on grounds that the original agreement with CPFL and Equatorial had been signed under pressure of time given that the restructuring court would have revoked the Rede companies' power generation concessions had it not found a buyer.

Energisa subsequently submitted a proposal offering the creditors a more favourable exchange for their bonds, offering 25 cents on the dollar instead of the 15 cents that CPFL and Equatorial had proposed. The creditors, which include development banks, retail bondholders and local banks, gave CPFL and Equatorial the opportunity to match Energisa's offer, which the companies declined.

Felsberg partner Thomas Felsberg notes that the number of interest groups involved in the transaction meant that reaching a consensus was difficult, particularly in light of the conflict between two companies interested in acquiring Rede. “It was a long war to get to this point and we had many fierce battles,” he says.

Galdino & Pereira partner Bernardo Galdino adds that obtaining consensus was crucial to getting the deal through. As Brazilian law does not deal with the possibility of non-solicited offers in restructuring processes, obtaining the support of the creditors, a diverse group with conflicting views, was “paramount”. Given that Energisa was an “outsider” to the deal, the lawyers had to structure a proposal that would be appealing to creditors in spite of a lack of access to information and timing constraints.

The reorganisation follows the successful [restructuring](#) of the largest of Rede’s subsidiaries, Celpa, in 2012, which was sold to Equatorial Energia following its reorganisation in a transaction that won the restructuring category of the Latin Lawyer [deal the year award](#).

Counsel to Rede Energia

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White & Case LLP

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