

TMA-Brazil leaders tell of vision for their new affiliate

Members of TMA-Brazil's board of directors recently held a roundtable discussion concerning their vision for their affiliate and for turnaround professionals in Brazil. The provisional affiliate anticipates completing their requirements soon and signing up all 119 signatory founding professionals as TMA members. This strong interest reflects a market that is striving for best practices in turnaround management, for continuous evaluation of Brazil's new bankruptcy law, and for networking and training that will include all professionals involved in corporate restructuring. Participants in the discussion:

- **Antonio Cardoso Toro**
(PriceWaterhouseCoopers)
- **Eduardo Lemos**
(Perform, TMA-Brazil President)
- **Eduardo Secchi Munhoz**
(Lilla, Huck, Otranto, Camargo e Munhoz Advogados)
- **Luiz Claudio Galeazzi**
(Galeazzi & Associados)
- **Luiz Fernando Valente de Paiva**
(Pinheiro Neto Advogados)
- **Oscar de Paula Bernardes Neto**
(Integra Associados)
- **Paolo Pellegrini**
(Itau BBA)
- **Renato Carvalho do Nascimento**
(Angra Partners)
- **Sergio Duque Estrada**
(Valormax)
- **Thomas Benes Felsberg**
(Felsberg e Associados, TMA-Brazil Chairman)

Lemos: With TMA-Brazil finalizing its registration process, the time has come to bring it to life. Bimonthly breakfast seminars, sponsored by the local WTC Business Club, have already begun. Other events planned for the year are a seminar-launch of a corporate turnaround book and the annual local congress (in which TMA members planning a trip to Brazil are invited to participate and perhaps lecture, depending on theme and experience match). Management practice, financial solutions and government and institutional relations committees have been constituted and are defining their activity plans. Each is focused on elaborating directives around key themes which will be portrayed through white papers, public relations and events.

The biggest challenges to developing turnaround management in Brazil are: (1) generating primary demand, thus diffusing the culture and promoting the acceptance of turnaround professionals and CROs, especially

in mid-tier and family-owned businesses; (2) streamlining debt and equity funding, which are yet incipient and too conservative to effectively serve distressed finance situations; (3) the legal framework and its efficient application and integration need to be tackled.

Galeazzi: Even though it is expected from us as turnaround professionals to manage companies with little and/or no cash, it is clear that there are many situations where "fresh" money is imperative to perform a successful restructuring. In a judicial restructuring (Brazilian Chapter 11), this is almost always the case. As the corporate recovery law (as bankruptcy law is referred to in Brazil) is new to the country, it is not clear to financial institutions, suppliers and other potential lenders whether the DIP concept is solid enough for them to put new money in a company under judicial restructuring, especially if the bankruptcy procedure should follow.

We have been discussing this topic among ourselves, and the financial solutions committee provides us with the appropriate forum to carry on these discussions, as well as to propose alternatives and amendments to the new law, using TMA-Brazil as a channel to bring the main stakeholders aboard.

The new law will be a constant topic, since the number of filings has increased significantly in the past few months; but it is important not to forget the importance of management skills, because the legal issues are only a part of the problem. Without proper management, there is no business. In this respect, we believe that the management practice committee will be of enormous value. Having qualified professionals dealing with these situations will improve the restructuring environment.

Carvalho: Clearly, we have an important challenge ahead of us. Our new bankruptcy law, which hadn't been fully evaluated during the boom years, is now facing a thorough test. In my view, there are two stepping stones towards achieving a context in which restructuring will be viable and possible: (1) train and prepare people to handle restructuring processes; (2) create funding options for companies. Those efforts will certainly depend upon a deep discussion of how to amend and improve the bankruptcy law and integrate it with other countries (Model Law).

Estrada: The moment is right for the inauguration of TMA-Brazil. The credit crunch that followed the global financial crisis at the end of 2008, coupled with a relevant decrease in demand for goods and services, has brought serious challenges for Brazilian companies (and their stakeholders). A few are now under recovery, and many others may soon experience a certain level of restructuring.

TMA-Brazil is consolidating its role as a serious forum for the exchange of professional experiences, for disseminating knowledge through congresses, courses and certifications, for creating public awareness and respect of the role of the turnaround professional, and for helping to devise new, creative and responsible administrative, legal and financial alternatives

to keep companies alive and well, equipped for the market rebound expected in 2010.

Pellegrini: Although with the new Brazilian Chapter 11 law there were significant improvements, Brazil still has much room for developing a more appropriate legal, institutional and business environment for companies with viable businesses, but facing financial challenges or distress. TMA may play a pivotal role in bringing more light to these discussions by helping legislators and courts, financial system regulators and banking executives to come up with more forward-looking sets of decisions/regulations. These will help creditors keep the flow of new liquidity to deserving companies with appropriate legal protection and regulatory treatment.

Bernardes: TMA-Brazil will reach out to a broad spectrum of professionals, including secured and unsecured creditors, suppliers, tax authorities, labor representatives and debtors. The purpose will be to fully understand their concerns about current legislation and to build a proactive agenda for improvement, with support from all interested parties.

Munhoz: The organization of TMA-Brazil is surely a landmark in the process of building a solid and longstanding turnaround culture in our country. By exchanging experiences and deepening knowledge through TMA's roundtables and events, turnaround professionals will have the opportunity to enhance their abilities to coordinate the restructuring process more efficiently. TMA-Brazil's activities will certainly catalyze these elements towards better institutions and better legal framework. These are important pre-conditions for giving distressed companies, creditors and investors the right incentives to find creative solutions for financing and recovery.

Toro: Brazil has historically paid a high price for not dealing adequately with underperforming companies. Companies' values have been destroyed, taking jobs, taxes and prosperity away because management/restructuring skills and the funding and legal environment have not been favorable to turning around so

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TMA-Brazil—continued

many troubled businesses within reasonable time frames.

The inception of TMA-Brazil is a step in the right direction. It will boost networking and the exchange of knowledge available on this subject and disseminate it to a broader audience. Occurring simultaneously with the consolidation of the new bankruptcy law, the increasing attention being paid to this issue by top-notch professionals and organizations, along with the maturity of Brazilian capital markets, will certainly contribute directly to the development of the practice—and indirectly to the preservation and soundness of economic activity in the country.

Paiva: The 60-year-old bankruptcy legislation that was recently replaced stimulated hidden agendas that worked around the law and hence harvested mistrust in corporate recovery, keeping away sound turnaround professionals and investors. The new legislation provides safer mechanisms for distressed financing and also incorporates worldwide-accepted instruments into Brazilian law. Our new law, however, is only recent, and the country finds itself in cultural adaptation away

from those condemnable practices and toward transparent and universally accepted ones. TMA-Brazil, from its outset, should exercise a fundamental role in this local cultural transition, while fostering more integration and sharing with other countries.

Felsberg: We formed TMA-Brazil to gain recognition for the importance of restructuring activity in Brazil. We join together to train and accredit, to exchange information on restructuring experiences and techniques, to network and to help improve the legal framework so that restructuring can be done in an effective and efficient manner. We want to do all these things in a context that allows us to benefit from the experiences of colleagues from other countries who have the same objectives as we do.

Our aim is to interact not only in the domestic market, but also internationally, to the extent our activity requires it. I am proud that we were able to gather in TMA-Brazil an impressive group of leading professionals who represent the absolute best this country has to offer in the different professions that are involved in restructuring activity. 🌐



Renato Carvalho do Nascimento is a founding Partner of Angra Partners, a private equity and advisory firm. He has been involved in restructuring processes, including Brasil Ferrovias R\$3.4 billion restructuring and Kepler Weber R\$550 million recovery. Previously, he had worked in corporate finance in the United States and Europe.



Antonio Toro is a partner at PricewaterhouseCoopers in charge of business restructuring services in Brazil. His experience includes financial restructuring, feasibility studies, valuations, M&A and auditing. Toro has been elected to the prominent Leader's Forum Group organized by the Brazilian financial newspaper *Gazeta Mercantil*.



Luiz Fernando Valente de Paiva is a partner in the litigation area of the São Paulo office of law firm Pinheiro Neto Advogados. He advises financially distressed companies, investors and creditors concerning turnaround and insolvency. He was a member of the Joint Ministerial Committee that drafted the final wording of the new Brazilian bankruptcy law.



Eduardo Lemos, TMA-Brazil's president, is managing partner for Perform Management & Consulting. He has been involved with early turnaround, market and operational performance improvement, interim management and consulting assignments in Europe, South America and the Middle East. He is a member of the Brazilian Institute of Corporate Governance.



Luiz Galeazzi is managing director in Galeazzi & Associados and has more than 11 years of project leadership experience in high-value management consulting. He specializes in crisis management and strategic operating plans. Galeazzi has also led judicial and extra-judicial recoveries covered by the new and old Brazilian bankruptcy law.



Paolo Pellegrini is executive director of Banco Itau BBA. He has extensive practical experience in helping companies to raise capital through equity and debt and is involved with the lending and underwriting business. He also has an oversight role on major negotiations with corporate clients that face financial distress or are restructuring debt.



Thomas Felsberg, TMA Brazil's Chairman, is managing partner at Felsberg, Pedretti, Mannrich e Aidar Advogados e Consultores Legais. He has domestic and international experience in insolvency, helped draft the Brazilian law, published innumerable articles and speaker invited worldwide. Member of the International Insolvency Institute, American College of Bankruptcy.

articles on the subject and spoken at conferences around the world. He currently serves as chairman of TMA-Brazil.



Oscar Bernardes is a partner with Integra Associados, a consulting and investment firm focused on distressed assets and/or start-ups. He has more than 35 years of experience in business management and is a board member of several major corporations in Brazil and abroad.



Eduardo Secchi Munhoz is partner in the law firm of Lilla, Huck, Otranto Camargo e Munhoz. He is also a judge in the São Paulo state tax court. Munhoz is author of the book “Empresa Contemporânea e Direito societário—grupo de sociedades e poder de controle” and numerous articles.



Sergio W. Duque Estrada is founding partner of Valormax Financial Consulting, a financial advisory firm focused on local and cross-border restructurings, recovery and M&A transactions. He has occupied key executive positions in major international banks and in BNDES development bank. He is a board member of several Brazilian companies and public institutions.