

## Brazilian Sovereign Debt Issuance Adopts "Collective Action Clauses"

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In a recent sovereign debt offering in the United States market, in the principal amount of US\$1,000,000,000, Brazil adopted certain conditions to the offering of its global bonds that facilitate future re-negotiation of specific terms of the debt with the bondholders, and created a new benchmark for offerings of this kind.

According to the terms of the offering, through "collective action clauses", Brazil may amend certain key terms of the global bonds, including the maturity date, interest rate and principal amount, and reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of the bonds, as well as other payment terms. The changes covered by the "reserved matters", addressed by the "collective action clause" described above, shall be made with the consent of the holders of not less than 85% of the aggregate principal amount of the outstanding global bonds. Additionally, if an event of default has occurred and is continuing, the global bonds may be declared to be due and payable immediately by holders of not less than 25% of the aggregate principal amount of the outstanding global bonds.

The global bonds were priced at 97.939% of the principal amount, with a rate of 10% per annum, and a maturity date of January 16, 2007. The interest thereon is payable semi-annually on January 16 and July 16 of each year, commencing on July 16, 2003.

Similarly, in another recent sovereign debt offering, Mexico as well adopted the "collective action clause", with very similar features.

The adoption of changes of this nature may in fact avoid certain difficult technical situations faced by bond issuers, where terms require the favorable vote of 100% of the bondholders in connection with certain changes to the conditions governing the bonds.

### Felsberg e Associados' presence in Washington D.C.

Felsberg e Associados has recently opened its new office in Washington, D.C., in recognition of the importance of international finance transactions and international trade issues to the firm's practice. Please find below the new contact information.

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