



Banco Cruzeiro do Sul in \$1.6 Billion Debt Restructuring

September 13, 2012

Cleary Gottlieb represented HSBC and BofA Merrill Lynch as dealer managers in connection with the cash tender offer and consent solicitation by the Fundo Garantidor de Créditos, or FGC (the Brazilian deposit insurance agency), relating to \$1.6 billion in outstanding debt securities issued by Banco Cruzeiro do Sul, in an attempt to save Cruzeiro from liquidation following the discovery by the Brazilian Central Bank that Cruzeiro had negative capital of approximately \$1.5 billion due to accounting irregularities and allegations of fraud. On June 4, the Brazilian Central Bank took over management of Cruzeiro and appointed FGC as the temporary special administrator.

The debt restructuring was conditioned, among other things, on holders of at least 90% of Cruzeiro's debt securities accepting the tender offer and on a potential acquirer entering into a binding agreement with FGC to purchase Cruzeiro. The tender offer expired on September 13, with acceptance by holders of 88.7% of the debt securities (or approximately \$1.4 billion). However, FGC was not able to secure an acquirer for Cruzeiro prior to the expiration of the tender offer and, as a result, the tender offer was withdrawn and the Central Bank of Brazil decreed the extrajudicial liquidation (liquidação extrajudicial) of Cruzeiro. Cruzeiro was a private commercial bank that focused on the paycheck-deductible loan and credit card loan segments in Brazil.



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