UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 15
REDE ENERGIA S.A.,[1]	)	Case No. 14-10078 (SCC)
Debtor in a Foreign Proceeding.	)	

STIPULATION OF FACTS FOR PURPOSES OF A HEARING ON THE OBJECTION BY THE AD HOC GROUP OF REDE NOTEHOLDERS TO RELIEF RELATED TO RECOGNITION OF FOREIGN PROCEEDING

The Ad Hoc Group of Rede Noteholders (the "Ad Hoc Group")[2] and José Carlos Santos in his capacity as the authorized Foreign Representative for Rede Energia S.A. ("Rede" or the "Debtor") enter into this stipulation of facts (the "Stipulation of Facts") concerning the Ad Hoc Group's objection [Docket No. 16] (the "Objection") to the Motion and stipulate, without waiving their rights to object to the relevance or materiality of any of the following paragraphs below, as follows:

A. History of the Rede Group

1. One or more companies now owned directly or indirectly by the Rede Debtors (as defined below) began operations in 1903 in Southeast Brazil to supply local public

[1] The last four digits of the Debtor's Brazilian Corporate Taxpayer Registration Number are 01-49. The Debtor's executive headquarters is located at Avenida Paulista, 2439, 5th Floor, Cerqueira Cesar, City of São Paulo, State of São Paulo, Brazil. The Debtor was formerly known as Caiuá Serviços de Eletricidade S.A. and then Rede Empresas de Energia Elétrica S.A .

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Foreign Representative's Petition for Recognition of Brazilian Bankruptcy Proceeding and Motion for Order Granting Related Relief (the "Motion") [Docket No. 2]. For purposes of efficiency and cost effectiveness, the parties have developed this stipulation of facts solely for use in this Court in this proceeding. Nothing herein shall be deemed or otherwise construed as an admission of any party in any other proceeding or before any other Court.

electric lighting for the first time in Brazil. By 2012, the group, as a whole, had grown into one of Brazil's largest electricity distributors providing electricity to 578 municipalities in 7 states in Brazil, within a universe of 20 million people, serving a total of almost 5 million consumer units, as well as 165 indigenous villages and 787 rural settlements.

B. Organizational Structure[3]

2. The five debtors in the Brazilian Bankruptcy Proceeding (collectively, the "Rede Debtors") consist of:

- Rede, an intermediate holding company, holding interests in fourteen subsidiaries;
- Empresa de Eletricidade Vale Paranapanema S.A. ("EEVP"), a holding company that is the direct parent and controlling shareholder of Rede;
- Denerge Desenvolvimento Energético S.A. ("Denerge"), another holding company that is the direct parent and controlling shareholder of EEVP and the indirect parent of Rede;
- Companhia Técnica de Comercialização de Energia ("CTCE"), an electricity-trading subsidiary of Rede; and
- QMRA Participações S.A. ("QMRA"), a subsidiary of Rede and the former intermediate holding company parent of Centrais Eléricas Do Pará S.A. ("CELPA").

3. The Rede Debtors' eight electricity distribution operating subsidiaries – the Rede Concessionaires (defined below) – and four of its other subsidiaries are not debtors in the Brazilian Bankruptcy Proceeding (collectively, along with the Rede Debtors, the "Rede Group"). Substantially all of the Rede Group's business activities are conducted through the Rede Concessionaires.

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[3] For additional detail, please refer to the corporate organization chart attached hereto as Exhibit A.

C. The Perpetual Notes

4. In April 2007, Rede issued 11.125% perpetual notes in the aggregate principal amount of USD$400 million (the "Perpetual Notes") pursuant to an indenture dated April 2, 2007 (the "Indenture"). Subsequently, in September 2007, Rede exercised its right under the Indenture to issue additional Perpetual Notes having identical terms and conditions as the previously-issued Perpetual Notes in the aggregate principal amount of USD$175 million. Approximately USD$496 million of the Perpetual Notes remained outstanding as of the date of the commencement of the Brazilian Bankruptcy Proceeding.

5. The Perpetual Notes are general unsecured obligations of Rede and were not guaranteed by any of Rede's operating subsidiaries or other affiliates. The notes are held in global note form (the "Global Note") with the Depository Trustee Company (the "DTC"). The Bank of New York Mellon is the indenture trustee (the "Indenture Trustee") for the Perpetual Notes. Interest payments have historically been made by Rede to the Indenture Trustee in New York and have been distributed through the DTC.

6. The Indenture and the Notes are governed by New York law. The Indenture contains a permissive jurisdiction clause that would allow, absent any contrary court order, any holder of the Perpetual Notes (a "Noteholder") to commence an action in the United States against Rede to recover on the Perpetual Notes. True and correct copies of the Indenture and the form of Global Note are attached as Exhibits B and C, respectively.

7. The offering memorandum for the Perpetual Notes (the "Offering Memorandum") contained a detailed description of Rede at the time the Perpetual Notes were issued and set forth a series of risk factors in connection with the Perpetual Notes. A true and correct copy of the Offering Memorandum is attached as Exhibit D.

D. <u>The Concession Agreements</u>

1. The Government Regulators

8. The electricity distribution activities of the Rede Concessionaires are subject to extensive regulation by the Brazilian government. To help enforce these regulations, the Brazilian government established various regulatory authorities, including the Ministério de Minas e Energia ("MME") and the Agência Nacional de Energia Elétrica ("ANEEL"). MME is the Brazilian government's primary regulator of the power industry, acting as granting authority on behalf of the Brazilian government and empowered with policymaking, regulatory and supervisory capacity. ANEEL is primarily responsible for regulating and supervising the power industry pursuant to the policies adopted by the MME and responding to matters delegated to it by the Brazilian government and the MME.

2. Concessions Generally

9. The Brazilian government considers the generation, transmission and distribution of electricity to be essential public services. The Brazilian Constitution provides that the development, use and sale of electric energy may be undertaken directly by the Brazilian government or indirectly through the granting by the government of concessions, permissions or authorizations. Concessions grant companies the right to generate, transmit or distribute electricity in covered concession areas for a specific period, whereas permissions or authorization are less defined and revocable by the government at will. Historically, the Brazilian electric energy industry has been dominated by generation, transmission and distribution concessionaires controlled by the Brazilian government. Companies that wish to build or operate facilities for generation, transmission or distribution of electricity in Brazil must bid for a concession in a public auction of the concession. Once a concession is granted, the

Brazilian government must approve any direct or indirect changes in the control of a concessionaire.

3. The Rede Concessionaires

10. Rede, an intermediate holding company, holds the equity of eight electricity distribution subsidiaries (CEMAT, CELTINS, ENERSUL, Caiuá Distribuição de Energia S.A. ("Caiuá"), Empresa Elétrica Bragantina S.A. ("Bragantina"), Companhia Nacional de Energia Elétrica ("CNEE"), Companhia Força e Luz do Oeste ("CFLO") and Empresa de Distribuição de Energia Vale Paranapanema S.A. ("Vale Paranapanema Distribuição," and collectively, the "Rede Concessionaires"), which operate pursuant to electricity-distribution-concessions ("the Concessions") governed by concession agreements with the Brazilian government (the "Concession Agreements"). These Concessions allow the Rede Concessionaires to distribute their electricity – in some cases, on an exclusive basis – to specific areas of Brazil.

11. For instance, CEMAT, CELTINS and ENERSUL are the sole respective electricity distribution concessionaires in the States of Mato Grosso, Tocantins and Mato Grosso do Sul. Whereas, Caiuá, Bragantina, CNEE, CFLO and Vale Paranapanema Distribuição are electricity distribution concessionaires that operate in various regions within the States of São Paulo, Minas Gerais and Paraná.

12. As discussed below, none of the Rede Concessionaires are debtors in the Brazilian Bankruptcy Proceeding.[4]

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[4] The Stipulation of Brazilian Law sets forth a description of the remedies available to the Brazilian government in the event of a Concessionaire's default or non-performance of the contractual terms of the Concession Agreement, including the ability of the Brazilian government to terminate the Concession Agreement. The Rede Debtors believe and have believed since the time of the Brazilian government's intervention in the Rede Concessionaires (such intervention discussed <u>infra</u> in section E.3.) that (i) it could take years to obtain a final

E. The Regulation of the Rede Concessionaires by the Brazilian Government

1. CELPA Bankruptcy

13. In February 2012, CELPA, a former operating subsidiary of the Rede Debtors and an electricity distribution concessionaire for the Pará region, commenced judicial reorganization proceedings under the Brazilian Bankruptcy Law. At the time of its filing, CELPA was insolvent due to, among other things, increased regulatory costs and an inability to pass such costs on to its end-users. CELPA was the first and only electricity distribution concessionaire to file a judicial reorganization proceeding in Brazil since the Brazilian Bankruptcy Law was enacted in 2005.

14. Certain members of the Ad Hoc Group, all of whose assets are managed by the same asset manager, held notes issued by CELPA and were active in the CELPA bankruptcy proceedings in Brazil and in the United States through the same U.S. counsel. By September 2012, CELPA had obtained approval of its reorganization plan in Brazil – a plan that impacted all of CELPA's creditors.

15. On November 9, 2012, CELPA's foreign representative sought recognition of CELPA's Brazilian judicial reorganization proceeding as a foreign main proceeding in this Court. Pursuant to the same motion, CELPA's foreign representative also

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decision from the Brazilian courts resolving a judicial or administrative action against the Brazilian government to recover damages relating to the termination of the Concession Agreements and (ii) that the Brazilian government may be permitted to spread out its payment of any awarded damages over a potentially long period of time. The Ad Hoc Group believes and has believed that the termination of the Concessions here was an unlikely outcome and that any intervention by ANEEL was resolvable without the need for the consolidation of the Rede Debtors' estates. In the event of an early termination of the Concessions, however, the right to recovery from the government with respect to the early termination of the Concession Agreements held by the Rede Concessionaires CEMAT and CELTINS has been partially pledged and assigned to the Inter-American Development Bank to secure the debts of such Rede Concessionaires.

sought certain relief to enforce the confirmed plan of reorganization. The plan enforcement relief sought in the CELPA case is almost identical to the relief sought by the Foreign Representative in the Motion, including requesting that the Bank of New York Mellon, as the indenture trustee under certain notes, and the DTC be directed and authorized to take actions to assign the notes to the plan sponsor pursuant to the plan of reorganization.

16. In part because CELPA was a single entity and its plan of reorganization was approved by each class of creditors, CELPA's plan of reorganization did not raise the issues of consolidation, cram down, structural subordination and disparate treatment that are at issue here. No party in interest challenged the Chapter 15 relief sought by CELPA's foreign representative. On December 12, 2012, this Court entered an order granting such plan enforcement relief finding that such relief in that case was necessary and appropriate, in the interests of the public and international comity, consistent with the public policy of the United States and warranted pursuant to sections 1504, 1507, 1509, 1517, 1520, 1521 and 105 of the Bankruptcy Code (the "CELPA Order").[5] A true and correct copy of the CELPA Order is attached hereto as Exhibit E.

17. At the time this Court entered the CELPA Order on December 12, 2012, the transfer of shares contemplated under CELPA's judicial restructuring plan had already closed, and appeals of the order confirming CELPA's restructuring plan were pending with the Brazilian appellate courts. As of March 17, 2014, such appeals were still pending decision with the Brazilian appellate courts.

[5] See In re Centrais Eléricas Do Pará S.A., Case. No. 12-14568 (SCC) [Docket No. 19] at 4.

2. Passage of MP 577

18. While CELPA's judicial reorganization proceeding was pending and before CELPA's plan of reorganization had been approved by the creditors and ratified by the court, the Brazilian government passed Provisional Measure No. 577 ("MP 577"), which was published on August 29, 2012.[6] Attached hereto as Exhibit F is a true and correct copy and certified translation of MP 577 and its official legislative history ("Legislative History"). Among other things, MP 577:

(i) clarified ANEEL's ability to intervene and take operational control of an electricity distribution concessionaire "to ensure its proper performance and to ensure compliance with the relevant contractual, regulatory and legal standards;"

(ii) provided that such intervention could last for a period of up to two years;

(iii) permitted the government to provide financing to concessionaires during the intervention period, to hire temporary personnel to ensure continued service and to grant liens on concessionaire property with respect to the post-intervention obligations;

(iv) provided the shareholder of the seized concessionaire with sixty days to present a plan to ANEEL that corrects the failures and infractions that led to the intervention and demonstrates the shareholder's economic and financial viability (a "Correctional Plan"), over which ANEEL would have unilateral approval rights;[7] and

(v) in the event that ANEEL rejects a Correctional Plan, permitted the Brazilian government to, among other things, revoke the concession granted to the electricity distribution company and conduct a public bidding process with regard to the terminated concession, seize the shares held on the concessionaires and/or transfer the control of the concessionaires.

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6 MP 577 subsequently became Law 12,767/2012, which was published on December 27, 2012 ("Law 12,767").

7 No provision of MP 577 dictates the precise form in which a Correctional Plan must be submitted. Similarly, in the event of a sale of relevant assets under a Correctional Plan (if such a sale is approved by ANEEL), no provision of MP 577 dictates the manner in which the net proceeds derived from such a sale that are made available to the owner of the Concessionaire (after payment or assumption of the Concessionaire's liabilities) must be distributed to the owner's creditor constituencies.

19. MP 577 also provided that electricity distribution concessionaires would no longer be entitled to commence judicial and extrajudicial restructuring proceedings under the Brazilian Bankruptcy Law prior to the termination of the concession. The Legislative History explains, among other things, that:

> [t]he electric power sector currently faces a situation of having a concessionaire under judicial intervention [i.e., CELPA], on the verge of bankruptcy, making regulatory action that is within the power of the granting authority once this event occurs urgent. Moreover, to keep any other similar situation from occurring, there is an urgent need to derogate from judicial and non-judicial reorganization of public electric power concessionaires (or permit holders), as it is understood conducting this type of reorganization by means of intervention, which the provisions of this measure seek to do, better suits the specific considerations of these public electric power concessionaires (or permitholders).

20. According to a press release issued by the MME on August 31, 2012 (the "MME Press Release"), the main objective of MP 577 was to give more security to the energy supply in Brazil. In the MME Press Release, the MME also explained that MP 577's strengthened rules regarding intervention "were inspired by the practices applicable to the financial system, another sector that deserves special attention from regulators and the [Brazilian government], for its relevance in the life of the citizen and Brazilian economy." A true and correct copy and certified translation of the MME Press Release is attached as Exhibit G hereto.

21. The Offering Memorandum of the Perpetual Notes contained a risk factor describing the risk of future changes of law and regulation, stating that "the impact to our business of future regulation and potential future reforms in the electric power industry is difficult to predict, and any of these developments could adversely affect our business and results of operations."

3. ANEEL's Intervention in the Rede Concessionaires

22. Within two days of publication of MP 577, on August 31, 2012 and before CELPA's plan of reorganization had been approved by the creditors and ratified by the court, ANEEL intervened in and seized operational control over all the Rede Concessionaires. In a press release announcing the intervention, ANEEL explained that the indebtedness of the Rede Concessionaires places at risk the proper provision of electricity distribution services. A true and correct copy and certified translation of ANEEL's press release dated August 31, 2012 is attached hereto as Exhibit H.

23. Later, in its official opinion regarding the ANEEL Plan (as defined below) dated December 17, 2013 (the "ANEEL Opinion"), ANEEL further explained that it had ordered the intervention for "the purpose of defending the public interest, to preserve proper service for the consumers and to introduce prudent management of the businesses of the concessionaires, ensuring compliance with legal and contractual obligations connected with the concession agreement." ANEEL also explained that "[a]n extreme measure was taken, without which, the companies of the Rede Group ran the risk of a worsening economic and financial situation, making the management of the concession and the provision of adequate service ineffective." ANEEL further explained that the:

> rationale for the intervention was the combination of high debt with insufficient cash flow to meet the obligations of a distribution concessionaire. There was, for example, systematic default on industry and tax obligations. The risk of systematic contagion of the Rede Group had worsened with the petition for reorganization by CELPA, on February 28, 2012, before the State Court of Pará. This petition raised the perception of risk concerning the conditions of the other concessionaire members of the Rede Group, further limiting access to credit.

Attached hereto as Exhibit I is a true and correct copy and certified translation of the ANEEL

Opinion.

24. The Ad Hoc Group alleges that the timing of MP 577's passage, the timing of the seizure of the Rede Concessionaires by ANEEL, the treatment of FI-FGTS's structurally subordinated claim (discussed below) and the end result for creditors of the Rede Concessionaires (who were not forced to restructure claims in bankruptcy) suggests that protection of local interests may have been involved in both the passage of MP 577 and in ANEEL's activities. The Rede Debtors dispute such allegations and believe the evidence is to the contrary.

F. <u>The Rede Group's Marketing and Plan Process</u>

25. In March 2011, Rede engaged Banco Bradesco S.A. ("Bradesco Bank") to market the total or partial acquisition of the equity control of the Rede Group. Between that time and the beginning of February 2012, Bradesco Bank sent approximately 25 invitation letters to potential investors and provided such investors with access to a confidential dataroom run by Intralinks. Proposals were received from just two bidders – Companhia Paranaense de Energia ("COPEL") and CPFL Energia ("CPFL") – each of which wanted to acquire only the Rede Concessionaires located in the States of São Paulo, Paraná and Mato Grosso do Sul. The Rede Group did not accept these proposals because, among other things, they allegedly determined that such bids would not solve the entirety of the corporate group's financial leverage concerns.

26. On February 16, 2012, Rede hired the Rothschild Group ("Rothschild") as a financial advisor, charged, in part, with marketing the total or partial equity control of the Rede Group. However, such marketing process was allegedly put on hold due to CELPA's bankruptcy filing which occurred later that week.

27. Upon the intervention in the Rede Concessionaires on August 31, 2012, Rede was required by MP 577 to provide ANEEL with a Correctional Plan by October 31, 2012. In order to lift its intervention in the Rede Concessionaires, ANEEL required that Rede cure the perceived breaches and defaults under the Concession Agreements, including by means of appropriately capitalizing the Rede Concessionaires.

28. Following the August 31, 2012 intervention in the Rede Concessionaires, Rothschild immediately began its efforts to market the shares of the entities of the Rede Group while calling for any purchaser to make a capital injection in the Rede Concessionaires and to pay an additional amount that could be used to fund distributions to the creditors of the Rede Debtors.

29. Rothschild sent invitations to more than ten potential buyers (both foreign and domestic), and ultimately granted seven credentialed groups access to an updated confidential dataroom run by Intralinks.

30. In light of the October 31, 2012 deadline, Rede set the deadline for binding offers as October 11, 2012. Rede received two binding offers by the October 11, 2012 deadline. The joint bid by CPFL and Equatorial Energia ("Equatorial," and together with CPFL, "Equatorial-CPFL") was chosen by Rede as the superior bid.

31. Rede developed a Correctional Plan that satisfied ANEEL's requirements, which, in its initial form, was submitted to ANEEL on October 26, 2012.

32. On November 20, 2012, ANEEL revoked the license granted to Rede's electricity-trading subsidiary CTCE to market and trade electricity.

33. On November 23, 2012, the Rede Debtors voluntarily filed petitions for judicial reorganization under the Brazilian Bankruptcy Law. None of the Rede Concessionaires filed a petition.

34. On December 19, 2012, the Brazilian Bankruptcy Court granted the Rede Debtors' request to initiate reorganization proceedings, commencing the Brazilian Bankruptcy Proceeding. Also on December 19, 2012, Equatorial-CPFL signed an investment and share purchase agreement (the "Equatorial-CPFL SPA") with the Rede Debtors' and their ultimate controlling shareholder, Mr. Jorge Queiroz de Moraes Junior (the "Controlling Shareholder") related to the purchase of the Controlling Shareholder's shares of entities in the Rede Group (including his shares in each of the Rede Debtors as well as several of the non-debtor subsidiaries) and the making of investments required by ANEEL. The Equatorial-CPFL SPA prohibited the Rede Debtors from further marketing the company to other potential bidders until June 30, 2013, at which time such agreement could be terminated by either party.

35. On March 15, 2013, the Rede Debtors presented to the Brazilian Bankruptcy Court a reorganization plan based on the Equatorial-CPFL SPA with Equatorial–CPFL (the "Equatorial-CPFL Plan"). The Equatorial-CPFL Plan, together with the Equatorial-CPFL SPA, called for the Controlling Shareholder to transfer his stock in the Rede Group to Equatorial-CPFL. The Equatorial-CPFL Plan provided that certain creditors of the Rede Debtors, including the Noteholders, would receive their choice of either: (i) cash equal to 15% of the principal amount of their claim in return for assignment of such claim to Equatorial-CPFL or (ii) reinstatement of 65% of the principal amount of their claim paid out over twenty-seven years, without interest. The Ad Hoc Group contends that the second option would have resulted in a net present value lower than that offered by the first option.

36. On April 4, 2013, COPEL and Energisa S.A. (collectively, "COPEL-Energisa") filed a petition with the Brazilian Bankruptcy Court challenging the exclusivity that had been granted to Equatorial-CPFL and requesting access to the updated dataroom for purposes of forming a competing bid (the "COPEL-Energisa Dataroom Request"). COPEL and Energisa had each had access to a confidential dataroom from late December 2011 until early February 2012 during the Bradesco Bank marketing process. After signing non-disclosure statements relating to the bidding process run following ANEEL's intervention, Energisa and COPEL were given access to an updated dataroom for several days prior to the October 11, 2012 deadline. The Brazilian Bankruptcy Court did not grant the relief requested by COPEL-Energisa. A true and correct copy and certified translation of the First Energisa Dataroom Request is attached hereto as Exhibit J. No other potential bidder contested the adequacy of the marketing process.

37. On May 29 2013, COPEL-Energisa publicaly announced a competing bid to purchase certain assets of the Rede Debtors (the "COPEL-Energisa Proposal"). The COPEL-Energisa proposal (which proposal was subject to a 60-day due diligence period, an appraisal of the Rede Debtors, and approval by Energisa's and COPEL's boards) contemplated the purchase by COPEL-Energisa of the stock of the Rede Concessionaires held by Rede for R$3,206,191,144.01 of which:

(i) R$433,290,630.39 would be made available for payment of loans of Rede and Rede Power do Brasil with distribution companies controlled by Rede, by means of a debt assumption;

(ii) R$378,709,369.81 would be made available for expenses related to the Correctional Plan;

(iii) R$1,311,000,000.00 would be deposited to pay Rede creditors;

(iv) R$500,000,000.00 would be reserved for payment of contingent claims and the balance of which, if any, would be made available, duly adjusted for inflation, to Rede after 5 years;

(v) R$534,832,624.53 for the replacement of guarantees granted by Rede to obligations of the distribution companies; and

(vi) R$48,358,819.48 would be made available for payment of other intercompany debt.

The COPEL-Energisa Proposal was not a plan of reorganization and did not provide for allowance or distribution to particular claims or opine on the consolidation of the Rede Debtors. The COPEL-Energisa Proposal estimated that the R$1,811,000,000.00 (R$1,311,000,000.00 which would be paid to creditors and R$500,000,000.00 which would be paid to creditors after 5 years if no contingencies arose) would result in an average potential recovery of approximately:

(i) eighty-five percent (85%) if paid solely to creditors of Rede;

(ii) sixty-six percent (66%) if paid to all creditors of all five Rede Debtors in the event of the disallowance of the claim of FI-FGTS (defined infra at paragraph 64) against Denerge in the amount of R$712,519,668.30; or

(iii) fifty-two percent (52%) if paid to creditors of all five Rede Debtors in the event of the allowance of such claim of FI-FGTS.

The Ad Hoc Group supported the COPEL-Energisa Proposal. A true and correct copy and certified translation of the COPEL-Energisa Proposal is attached hereto as Exhibit K.

38. The Rede Debtors rejected the COPEL-Energisa Proposal on June 5, 2013, because they believed, among other things, that (i) the proposal was not binding as it required, as condition precedents, (a) an appraisal of the Rede Group and (b) the approval of the final terms of the proposal, after confirmatory due diligence, by the boards of directors of both Energisa and COPEL, (ii) the sale of the stock of the Rede Concessionaires would have resulted in a large priority capital gains tax and additional taxes against the Rede Debtors, arising out of the cancellation of the Rede Debtors' debt for which the COPEL-Energisa Proposal did not allocate

payment, (iii) the proposal did not satisfy the restructuring requirements imposed by ANEEL after its intervention, (iv) the estimated creditor recoveries provided in the COPEL-Energisa Proposal were inflated as they assumed the entire R$500 million reserve for contingent claims would be released to creditors after the 5-year holdback period, even though the Rede Debtors believed that the amount of contingent claims that was likely to be allowed exceeded the amount of such reserve and (v) the proposal would lead to the liquidation of the Rede Debtors as it would leave such companies without any activity or assets. The Ad Hoc Group supported the COPEL-Energisa Proposal and contended that the Rede Debtors' concerns were either without merit or otherwise resolvable without the need to incorporate consolidation of debtor entities into the structure proposed by COPEL-Energisa.

39. The first creditors' meeting was held on June 5, 2013. With respect to the First Energisa Dataroom Request, the official minutes of the meeting indicate the following:

> [The Rede Debtors' counsel] rejected the allegation that there was avoidance of interested parties in the process for acquisition of the control stake in Rede Group, because information were evenly made available to all companies, including Copel-Energisa, but they [Rede Group] needed to choose an investor within a certain deadline (ANEEL's deadline - October [15] 2012), and the only proposal presented within this timeframe was CPFL/Equatorial's. [COPEL-Energisa's counsel] informed that his clients had access to the data room for only 3 days, which was insufficient.

40. The first creditors' meeting was discontinued prior to creditors voting on the Equatorial-CPFL Plan.

41. On June 12, 2013, the attorneys for COPEL-Energisa filed a petition announcing COPEL had withdrawn its proposal due to lack of essential information to confirm the proposal and tight deadlines for such confirmation. Following the first creditors' meeting, on each of June 6, 2013, June 7, 2013, June 12, 2013 and July 2, 2013, Energisa filed petitions with

the Brazilian Bankruptcy Court requesting access to information that Energisa believed necessary to complete its bid. These requests were not granted by the Brazilian Bankruptcy Court.[8] On each of April 22, 2013, June 5, 2013 and June 24, 2013, the Rede Debtors filed petitions objecting to Energisa's requests to participate in the proceedings.[9]

42. On the day prior to the second creditors' meeting, held on July 3, 2013, Energisa submitted a revised proposal and plan of reorganization that largely mirrored the structure of the Equatorial-CPFL SPA and Equatorial-CPFL Plan (the "Energisa Proposal"). The Energisa Proposal ultimately became the basis of the share purchase agreement between Energisa, the Controlling Shareholder and the Rede Debtors (the "SPA") and the Brazilian Reorganization Plan.

43. Pursuant to the Energisa Proposal, Energisa would invest R$1.2 billion in the Rede Concessionaires and R$1.95 billion to pay the creditors of the Rede Debtors. The Brazilian Reorganization Plan, stemming from the Energisa Proposal, permits the R$1.2 billion in investments to Rede Concessionaires to be derived from a variety of sources, including the

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[8] At various times both before and after the first creditors' meetings, various creditors submitted pleadings requesting that Energisa be given access to the dataroom. The petitioning creditors included: Fundação Petrobrás de Seguridade Social – Petros; Fleury da Rocha & Associados Advogados; Central Geradora Termelétrica Fortaleza S.A.; BS Master Fundo de Investimento em Direitos Creditórios; Banco Rural S.A.; Banco Industrial S.A.; the Indenture Trustee; the Ad Hoc Group and the committee of creditors. These requests were not granted by the Brazilian Bankruptcy Court.

[9] In their petition of June 24, 2013 (after COPEL had withdrawn its proposal), the Rede Debtors argued, among other things, that: "[T]he appropriate moment for participating in negotiations has passed and already ended. Therefore, in view of the execution of binding documents between the Rede Group and CPFL/Equatorial, as will be seen below, there is no more room for competing proposals (being that Energisa/Copel's no more exists), whose purpose is no other than to disrupt the reorganization proceeding in progress, with objectives probably unmentionable to illegally interfere in agreements validly entered into, and which are being implemented through a judicial reorganization plan proposed and which will be voted on next July 3."

sale of one or more Rede Concessionaires by Energisa.[10] As further described below, the Brazilian Reorganization Plan, stemming from the Energisa Proposal, generally provides certain creditors of the Rede Debtors, including the Noteholders, with the option to receive either (i) cash equal to 25% of the principal amount of their claims in return for assignment of such claims to Energisa (instead of 15% as contemplated by the Equatorial-CPFL Plan) or (ii) reinstatement of 100% of the principal amount of their claims paid out over twenty-two years, without interest. The Ad Hoc Group contends that the second option results in a net present value lower than that offered by the first option. Like the Equatorial-CPFL Plan, the Brazilian Reorganization Plan is premised on the Controlling Shareholder transferring all his equity interests in the Rede Group to Energisa in consideration for the symbolic price of one Brazilian real (R$1.00). The SPA and the Brazilian Reorganization Plan also call for the assumption by Energisa of certain guarantees of the debts of the Rede Group that had been provided by the Controlling Shareholder. Also like the Equatorial-CPFL Plan, the SPA provides for the payment of the Rede Group advisors' fees of up to R$40,000,000.00 and the assumption of obligations relating to retention bonuses that the Rede Debtors had previously approved for certain of their management and certain of the

[10] The investment in the Rede Concessionaires, as documented in detail in the ANEEL Plan and approved by ANEEL, is not premised on the sale of any of the Rede Concessionaires. Energisa has announced that it does not currently intend to sell such Concessionaires in the foreseeable future and has already raised sufficient capital to fund the transactions contemplated by the Brazilian Reorganization Plan. Energisa issued R$1.5 billion short-term debentures for the purpose of financing the transactions contemplated by the Brazilian Reorganization Plan, one third of which is to be amortized on March 1, 2015, and the remainder of which matures on March 1, 2016. The indenture applicable to the debentures permits Energisa to sell certain Rede Concessionaires within one year of the issuance of the debentures, in which case the proceeds of any such sale shall be used to prepay the debentures. If Energisa does not sell such Rede Concessionaires within one year of the issuance of the debentures, Energisa shall grant the debenture holders a security interest in such Rede Concessionaires through the remaining one year term of the debentures. The debentures do not require Energisa to sell any Rede Concessionaire and permit Energisa to pay on the maturity date, or to prepay, the debentures using funds from sources other than the sale of the specified Rede Concessionaires.

management of the Rede Concessionaires, all of which are payable by the Rede Debtors. The Energisa Proposal expressly included consolidation and the payment in respect of the secured claim of FI-FGTS.

44. The second creditors' meeting was held on July 3, 2013 but was again discontinued prior to voting on any particular plan of reorganization.

45. After the Brazilian Bankruptcy Court suggested that it would not allow a vote on both the Equatorial-CPFL Plan and the Brazilian Reorganization Plan at a creditors' meeting, representatives of Equatorial-CPFL and Energisa each gave presentations to the creditors of the Rede Debtors at the third creditors' meeting. The Rede Debtors then adjourned the meeting and requested that its creditors tell them informally which plan they preferred. The Ad Hoc Group and the Indenture Trustee refused to participate in the informal poll due to, among other things, their view that both plans contained inappropriate consolidation of debtor entities. However, a majority of the remaining creditors who participated in the informal poll indicated a preference for the Brazilian Reorganization Plan given its superior recoveries to the creditors of the Rede Debtors. As a result, the Rede Debtors pursued confirmation of the Brazilian Reorganization Plan and CPFL-Equatorial withdrew their bid.

46. Following the third creditors' meeting, the Brazilian Reorganization Plan was approved by the Brazilian Bankruptcy Court relying on cram-down principles (as discussed further below). A true and correct copy and certified translation of the Brazilian Reorganization Plan is attached hereto as Exhibit L.

47. The Rede Debtors then submitted a revised Correctional Plan to ANEEL on October 26, 2012, which spanned several hundred pages and, among other things, laid out Energisa's proposal for the assumption and reorganization of the Rede Concessionaires (as

amended on October 1, 2013 and presented by the Rede Debtors and Energisa, the "ANEEL Plan").

G. Process and Rights Afforded to Creditors

48. On December 19, 2012, the Brazilian Bankruptcy Court appointed Deloitte Touche Tohmatsu Consultores Ltda. as the independent judicial administrator (the "Judicial Administrator") for the Rede Debtors' judicial reorganization case. The Judicial Administrator was responsible for, among other things, managing the claims verification process and overseeing the Rede Debtors' management of their affairs.

49. An official committee of creditors was formed at the first meeting of creditors held on June 5, 2013 (exactly one month before the third creditors' meeting at which final votes on the Brazilian Reorganization Plan were solicited). The committee had the duty to obtain and inform all creditors of information regarding the Rede Debtors. The members of the creditors' committee were: (i) FI-FGTS (as defined below), acting through its attorney-in-fact, Cassio Viana de Jesus – representing itself as the sole voting secured creditor and (ii) Moneda Deuda LatinoAmericana Fondo de Inversion ("Moneda"), acting through its counsel Eduardo Augusto Mattar – representing the class of unsecured creditors. Moneda is a Chilean investment fund and the largest member, by holdings, of the Ad Hoc Group. Actions of the committee of creditors require majority approval of the committee members and, in the case of a two member committee, unanimous approval. With respect to issues of consolidation, voting and valuation, FI-FGTS and Moneda did not share consistent views due to their respective positions in the

corporate and capital structure. Given the absence of estate-funding, the committee did not engage committee professionals.[11]

50. All creditors were given notice of the bankruptcy filing and had the opportunity to contest the bankruptcy and review and contest the official list of creditors submitted to the Brazilian Bankruptcy Court by the Judicial Administrator.

51. All creditors on the official list of creditors (the "Creditors' List") were permitted to attend the general meetings of creditors and vote on the Brazilian Reorganization Plan. Several creditors (i) objected to their own treatment or to the treatment of claims of other creditors as set forth on a preliminary official list published by the Judicial Administrator on May 14, 2013 or (ii) otherwise objected to the right of other creditors to vote. Several such objections remained pending at the time of voting on the Brazilian Reorganization Plan. In many of these situations, the Brazilian Bankruptcy Court ordered that the applicable creditor be permitted to cast a provisional vote, with the determination that the Judicial Administrator would make two calculation exercises in the creditors' meeting: one considering all such "provisional votes," and one disregarding all such "provisional votes," registering the results in the minutes of the meeting. The Brazilian Bankruptcy Court subsequently published the final voting results for purposes of confirming the Brazilian Reorganization Plan, also deciding on the voting issues that were raised by the Rede Debtors and by the Ad Hoc Group. A true and correct copy of the Creditors' List is attached hereto as Exhibit M.

[11] On June 25, 2013, the committee filed a petition requesting authority to have the fees of a financial advisor to the committee be paid by the Rede Debtors so as to permit the committee to adequately supervise the activities of the Rede Debtors and the Judicial Administrator. The Rede Debtors filed a petition in response requesting information regarding the scope and fees of the proposed engagement. The Brazilian Bankruptcy Court did not rule on either of these petitions.

52. The Ad Hoc Group, either directly or through the Indenture Trustee, took the following actions in Brazil during the Brazilian Bankruptcy Proceeding:

(i) objected to the bankruptcy filing;

(ii) filed proofs of claim;

(iii) filed a motion to require non-consolidation of the Rede Debtors for plan purposes;

(iv) attended the creditors' meetings;

(v) sought to have, and had, a representative appointed to the creditors' committee;

(vi) cast votes to reject the plan; and

(vii) filed numerous objections, motions for clarification, appeals and requests for stays pending appeal.

H. The Brazilian Reorganization Plan

1. Classification of Claims Generally

53. There were one-hundred-eleven (111) claims listed by the Judicial Administrator against the five Rede Debtors, totaling in amount R$3,990mm plus US$655mm.[12] Thirty-Three (33) of these claims were asserted against multiple Rede Debtors. Under the Brazilian Bankruptcy Law, claims are divided into three classes of claims, as follows: (i) holders of labor related claims ("Class I"), (ii) admitted as holders of secured claims ("Class II") and (iii) holders of unsecured claims, claims entitled to general and special privilege and subordinated claims ("Class III"). There were no Class I (labor) claims. There were only two Class II (secured) claims: (i) FI-FGTS (as defined below) asserted a R$712.5mm Class II (secured) claim against Denerge secured by equity interests in other Rede Debtors and (ii) BNDES (as

[12] The number of claims and amounts set forth herein are as listed and proposed for allowance by the Judicial Administrator in the Creditors' List.

defined below) asserted an R$135.5mm Class II (secured) claim against Rede. Most of the Class III (unsecured and other) claims in amount (totaling R$1,890mm plus US$655mm) were asserted against Rede. In addition to the figures set forth on the Creditors' List, an aggregate of approximately R$775mm of claims were owed by Rede Debtors against other Rede Debtors, and, if netted, would result in R$500mm owing from other Rede Debtors to Rede.

2. Consolidation

54. In 2005 and 2006, the Rede Debtors underwent a corporate reorganization that separated the Rede Debtors entities' operations and assets among numerous distinct entities. The terms and conditions of the Indenture governing the Perpetual Notes included covenants limiting transactions between entities within the Rede Group as well as limitations on consolidations and mergers.

55. On March 15, 2013, the Rede Debtors presented a single plan of reorganization (based on the CPFL-Equatorial bid) that was premised on the consolidation of the assets and liabilities of all five debtors for voting and distribution purposes.[13] This served to, among other things, consolidate the treatment and voting of claims asserted against Denerge, EEVP, QMRA and CCTE (including the lone voting secured claim) with the treatment and voting of claims asserted against Rede.

56. On April 4, 2013, the Indenture Trustee and the Ad Hoc Group filed petitions with the Brazilian Bankruptcy Court objecting to, among other things, the presentation of a consolidated plan. As noted infra in paragraph 70, the petition of the Ad Hoc Group raised a

[13] The Brazilian Reorganization Plan does not result in the actual corporate consolidation or merger of the Rede Debtors, although the plan does permit Energisa to modify the Rede Group corporate structure after the consummation of the transaction. Brazilian Reorganization Plan § 3.5. In addition, Article 9.7.2 of the Brazilian Reorganization Plan specifies means for payment of all intercompany claims other than claims held by Rede Concessionaires.

number of objections beyond the issue of consolidation, including an objection to the voting rights of FI-FGTS due to the Ad Hoc Group's belief that FI-FGTS qualified as an insider.

57. Both the Judicial Administrator and the Office of the State Prosecutor of São Paulo filed briefs in support of consolidation. True and correct copies and certified translations of such briefs are attached hereto as Exhibits N and O, respectively.

58. In a decision dated May 27, 2013, the Brazilian Bankruptcy Court ruled on eleven (11) different issues including the issue of consolidation (the "May 27 Brazilian Court Decision"). The Brazilian Bankruptcy Court found that Brazilian law permitted the joint processing and consolidation of the assets and liabilities of related debtor companies for plan purposes where such companies "form an economic group with unified management and establish a small federation of companies, which are associated around the collective company thus formed." See May 27 Brazilian Court Decision at 2 (a true and correct copy and certified translation of which is attached as Exhibit P hereto). The Brazilian Bankruptcy Court found consolidation of the Rede Debtors was appropriate because:

> The "Rede" group, subject to reorganization, is in fact organized as a corporate group, with a common controlling company and credit inter-dependence, as loans exist between the companies that comprise the group, and cross corporate guarantees to honor obligations to third parties. Moreover, the plan is based on the joint cash flow of all the companies, in such a way to find an effective means of reorganization.

Id. at 1-3.

59. The May 27 Brazilian Court Decision did not address factors that, according to the Ad Hoc Group, would ordinarily be considered by a United States court considering the issue of substantive consolidation – such as disregard of corporate separateness,

creditor confusion about which entity with which they were doing business, intermingling of funds, or fraud.

60. The Indenture Trustee then sought an expedited appeal of such order and injunction of the solicitation of the joint plan with the São Paulo State Court of Appeals (the "Court of Appeals"). The Court of Appeals denied the request for an injunction, and the appeal is still pending decision.

61. On July 26, 2013, the Ad Hoc Group raised the same objection to the consolidation of the five debtors in their objections to the confirmation of the plan, and presented a scholarly opinion in support of their objections. Rede and Energisa filed reply briefs and presented three scholarly opinions in support of consolidation. On September 9, 2013, the Brazilian Bankruptcy Court entered its decision confirming the Brazilian Reorganization Plan (as clarified by subsequent order on November 14, 2013, the "Confirmation Decision"). A true and correct copy and certified translation of the Confirmation Decision is attached as Exhibit Q hereto. The Ad Hoc Group, although not the Indenture Trustee, has appealed the Brazilian Bankruptcy Court's Confirmation Decision, and this appeal remains pending.

3. Secured Creditors

a. Ability to Vote on the Brazilian Reorganization Plan

62. The class of secured creditors was comprised of two claims.

63. One secured claim was held by Banco Nacional de Desenvolvimento Econômico e Social ("BNDES"), the National Development Bank of Brazil. BNDES's claim was allowed against Rede in the amount of R$134.5 million and secured by, among other things, Rede's equity interests in the Rede Concessionaire, CNEE. BNDES was not permitted to vote

on the Brazilian Reorganization Plan because its subsidiary, BNDES Participações S.A. ("BNDESPar"), is a minority shareholder in the Rede Debtors.

64. The other secured claim was held by Fundo de Investimento do Fundo de Garantia por Tempo de Serviço ("FI-FGTS"), an investment fund wholly-owned by an employee severance payment guarantee fund created by the federal government. The employee severance payment guarantee fund collects 8% every month of all salaries paid in Brazil and protects workers fired without just cause or in cases of serious disease. FI-FGTS's claim was allowed against Denerge in the amount of R$712.5 million and secured by the equity interests in EEVP and Rede.

65. Prior to the bankruptcy filing and pursuant to an investment agreement signed in 2010, FI-FGTS held 37.1% of the shares of EEVP and a right to put such shares to Denerge in return for the R$712.5 million secured debt claim.

66. On the day prior to the filing of the judicial reorganization petitions, FI-FGTS exercised such put right. FI-FGTS's shares were never returned to EEVP in connection with this exercise of its put right prior to the filing. On May 27, 2013, FI-FGTS filed a petition informing the Brazilian Bankruptcy Court that the put option had been exercised prior to the bankruptcy filing and offering the shares to the Brazilian Bankruptcy Court, allowing the Brazilian Bankruptcy Court to dispose of them.

67. On May 14, 2013, the Judicial Administrator published a preliminary official list of claims, listing FI-FGTS as having a secured claim against Denerge in the amount of R$712.5 million.

68. Pursuant to local rules, creditors have ten days to object to a claim's allowance after publication of the preliminary official list. In general, creditors may, however,

separately object to a claimant's right to vote on a plan of reorganization, among other things, due to a claimant's status as an insider regardless of whether the underlying claim has been allowed. Thus, while creditors have time constraints with respect to objections to claims, objections to the voting rights of an insider are generally not time barred. The parties dispute whether the ten-day objection deadline should have applied here and whether FI-FGTS could have been both a valid secured creditor and an insider as of the petition date. In its April 4, 2013 objection (discussed supra in paragraph 61), the Ad Hoc Group raised various objections in addition to its objections to the filing of a consolidated plan. Therein, the Ad Hoc Group first objected to FI-FGTS's right to vote.

69. At the third creditors' meeting on July 5, 2013, FI-FGTS voted its secured claim in favor of the Brazilian Reorganization Plan. The Ad Hoc Group objected to this vote on the grounds discussed infra in paragraph 70. The Brazilian Bankruptcy Court ordered that the voting be calculated in both ways, with and without FI-FGTS's vote, pending its resolution of the dispute. Later, after voting, the Brazilian Bankruptcy Court ruled in its Confirmation Decision that the vote of FI-FGTS would be counted for confirmation purposes.

70. On September 24, 2013, the Ad Hoc Group filed an objection to the order confirming the Brazilian Reorganization Plan. On the issue of FI-FGTS's vote, the Ad Hoc Group did not challenge FI-FGTS's status as a secured creditor of Denerge or the legitimacy of its claims, but argued that (1) the vote of Denerge and EEVP level creditors should not be permitted to control the outcome of Rede level assets and (2) FI-FGTS's vote, in particular, should be disregarded because the Ad Hoc Group believed that FI-FGTS remained a shareholder of EEVP stemming from the fact that the exercise of its put right immediately prior to the

judicial reorganization had not been perfected by a share transfer in the appropriate corporate books by the time the Rede Debtors filed for judicial reorganization.

71. The Brazilian Bankruptcy Court overruled this objection and found:

> There can be no doubt that this fund [FI-FGTS] is a creditor of the companies under reorganization; however, in the past, it had been a shareholder, but since it validly exercised a sale option prior to joining the legal reorganization proceedings, it no longer has the status of shareholder. Proof of notification of exercise of the option has been provided, which is an undisputed fact in the case files. . . . Its vote was completely valid in its status as secured creditor.

See Confirmation Decision, at 4.

72. Although the Ad Hoc Group did not contest FI-FGTS's status as a creditor of Denerge in its objection to confirmation, the Brazilian Bankruptcy Court noted that the Ad Hoc Group did not contest the claim of FI-FGTS within the timeframe permitted by the Brazilian Bankruptcy Law:

> Moreover, [FI-FGTS's] inclusion among the creditors as presented by the [Judicial Administrator] was not challenged by any interested creditor in the correct procedural form pursuant to Art. 8 of Law 11,101/2005, causing the issue to arise improperly, *en passent*, in the body of these case files. It is likely that the intention [of the Ad Hoc Group] was to avoid the burden of paying the legal fees of the prevailing party in the action, in the event that the issue is raised as a separate incident.

Id.

73. As noted above, the Ad Hoc Group has appealed the Confirmation Decision on this point as well, arguing that FI-FGTS remains an insider and was therefore ineligible to vote.

b. Treatment of Secured Claims

74. Articles 6 and 8 of the Brazilian Reorganization Plan permit holders of secured claims to choose between three options:

(i) Option A – retention of security interest and restatement of the principal amount of its debt in full to be paid over twenty-two years at a 2% interest rate, with a balloon principal payment in year twenty-two;

(ii) Option B – if the secured creditor chooses to commit to future financing of the reorganized companies on terms set forth in section 1.2.22 of the Plan, retention of security interest and restatement of the principal amount of its debt in full to be paid over twenty-two years at a 4% interest rate, with a balloon payment in year twenty-two; and

(iii) Option C – the secured creditor may assign its debt to Energisa in return for a 25% cash distribution paid on the closing date.

75. BNDES chose Option C and is thus receiving the same 25% cash recovery for its claim as the Noteholders.[14]

76. FI-FGTS chose Option B – a twenty-two-year note at 4% interest (an interest rate that is below the current rate of inflation in Brazil), in exchange for committing to provide future financing to the Rede Debtors. As set forth in section 1.2.22 of the Brazilian Reorganization Plan, the future financing to be provided by FI-FGTS to the Rede Debtors shall be in the amount of 90% of the FI-FGTS's claim, for a minimum period of payment of twenty (20) years, with at least a twelve (12) year period without the payment of principal, with monthly amortization after this period, and shall be paid with a maximum interest rate of seven percent (7.00%) per year, payable as agreed between the Parties as adjusted annually. The Brazilian

[14] BNDES is an affiliate of BNDESPar. See paragraphs 95-96 regarding the treatment of certain claims and/or rights of BNDESPar.

Reorganization Plan does not contain any provision expressly prohibiting or authorizing prepayment of any of the secured or unsecured debts reinstated pursuant to the Plan.[15]

4. Unsecured Creditors

77. The Brazilian Reorganization Plan distinguishes between three types of unsecured claims:

(i) Unsecured guaranty, surety or joint claims against the Debtors where the creditors' underlying principal claim is against one or more of the Rede Debtors' non-debtor Rede Concessionaires (the "Concessionaire Creditor Claims");

[15] In the CELPA case, CELPA's judicial reorganization plan provided that, with respect to the reinstated claim of BNDESPar:

> The National Economic and Social Development Bank (BNDES), or its assignees in any way, including the Investor, shall have the right to convert, at face value**,** the total amount of the Claims which it holds against CELPA into shares that are representative of CELPA's capital stock, through an increase of capital, the procedure of approval of which should observe the arrangements set out in Law 6.404/76, and the applicable regulations enacted by the Brazilian Securities and Exchange Commission (CVM).

Following confirmation of CELPA's plan, BNDESPAR assigned its convertible claim of R$234.757.353,41 (the "Assigned Credit") to the new controlling shareholder of CELPA (Equatorial), for face value, through a Credit Assignment Agreement executed on November 8, 2012. BNDESPAR did not receive payment of the purchase price for the Assigned Credit, but rather kept a claim against Equatorial for such purchase price in the same amount as the Assigned Claim's face value (R$234.757.353,41) (the "Purchase Price Claim"). This debt to equity conversion was viewed favorably by other creditors and was seen as a contribution to the Plan's approval.

Subsequently, in March of 2013 Equatorial issued new shares, in the total amount of the Purchase Price Claim, fully subscribed by BNDESPAR and payable with the Purchase Price Claim –each at an issue price of R$17.78 per share. Under Brazilian corporate law, existing shareholders have preemptive rights to subscribe to such share issuance, as long as they pay for such subscription in cash. In this case, the cash paid by shareholders exercising preemptive rights is to be passed on to the creditor that subscribed the capital increase, settling such subscription in cash. The market price for Equatorial shares ranged between R$18.02 and R$20.50 during the preemptive right exercise period. Ultimately, 99.2% of the existing shareholders exercised their preemptive rights, and the amounts paid by these shareholders were transferred to BNDESPAR.

Here, the Ad Hoc Group has expressed concern that FI-FGTS may receive similar treatment. The Rede Debtors contend that (i) such treatment of BNDESPar's claim, including with respect to any of its assignees, was expressly described in the approved CELPA plan, as set forth above, (ii) here, the Brazilian Reorganization Plan contains no similar provision and (iii) Energisa does not intend to pre-pay FI-FGTS's claims in any fashion for the foreseeable future due to the favorable terms of such financing. The Ad Hoc Group contends that the treatment received by BNDESPar was not addressed by the CELPA plan, as the CELPA plan called for BNDESPar to potentially convert its claims against CELPA at face value into stock of CELPA itself rather than receive the publicly traded and liquid stock of Equatorial.

(ii) Claims against the Debtors by its non-debtor Rede Concessionaires (the "Subsidiary Concessionaire Claims"); and

(iii) Unsecured claims by principal obligation (i.e., all other claims, including the Noteholder Claims) (the "General Unsecured Claims").

c. General Unsecured Claims

(i) *Identity of General Unsecured Creditors*

78. As listed on the Creditors' List, there are 109 General Unsecured Claims against the Rede Debtors totaling approximately R$3,142,135,039.61 plus US$655,300,018.25 (the holders of such claims, the "General Unsecured Creditors"). Except for the Perpetual Notes and Inter-American Development Bank, all holders of the General Unsecured Claims are Brazilian-based entities.

79. Because the Perpetual Notes are held in global form with the DTC, neither the Rede Debtors nor the Ad Hoc Group knows with certainty the identities or nationalities of the beneficial holders of the Perpetual Notes (other than the members of the Ad Hoc Group). The Ad Hoc Group purports to have been in contact with other holders of Perpetual Notes, one or more of which are also based in the U.S. The Perpetual Note claims were issued only to (i) non-U.S. persons in accordance with Regulation S of the U.S. Securities Act of 1933, as amended (the "Securities Act") and (ii) qualified institutional buyers in accordance with Rule 144A of the Securities Act.

80. The Ad Hoc Group members, which include investment funds, hold in the aggregate approximately 37% of the Perpetual Notes.[16] The majority of its members are based in Latin America. One of its members (which holds approximately 8.1% of the Perpetual Notes) is

[16] The members of the Ad Hoc Group are: Merrill Lynch Pierce, Fenner & Smith Incorporated, Finanzas Y Negocios Internacional Inc. and multiple funds managed by Moneda Asset Management.

based in the United States. The members of the Ad Hoc Group held Perpetual Notes before the intervention of the Rede Concessionaires. The Indenture Trustee is an entity based in the United States.

(ii) *Treatment of General Unsecured Claims*

81. Articles 7 and 8 of the Brazilian Reorganization Plan offer three plan treatment options to General Unsecured Claims:

(i) Option A – restatement of the principal amount of its debt in full to be paid over twenty-two years at a 1% interest rate, with a balloon principal payment in year twenty-two;

(ii) Option B – if the unsecured creditor chooses to commit to future financing of the reorganized companies on terms defined in section 1.2.23 of the Plan, restatement of the principal amount of its debt in full to be paid over twenty-two years at a 1% interest rate, subject to annual monetary adjustment on the value of the principal balance, with a balloon payment in year twenty-two; and

(iii) Option C – the unsecured creditors may assign their claims to Energisa in return for a 25% cash distribution paid on the closing date.

82. Section 7.1.4 of the Brazilian Reorganization Plan provides that the form of consideration chosen by the majority in principal amount of the Noteholders indicating their preference of consideration will govern the form of consideration provided to all holders of Perpetual Notes. After the Brazilian Reorganization Plan was approved, the Rede Debtors solicited the preferences of the Noteholders pursuant to the Brazilian Reorganization Plan and in accordance with U.S. securities laws. A majority in principal amount of the Noteholders (including all of the members of the Ad Hoc Group) chose Option C – the cash payment

option.[17] Thus, all holders of Perpetual Notes will receive 25% of their claims in cash on the closing date in exchange for the assignment of the Perpetual Notes to Energisa.

d. Treatment of Concessionaire Creditor Claims

(i) *Identity of Concessionaire Creditors*

83. As listed on the Creditors' List, there are eleven (11) allowed Concessionaire Creditor Claims totaling R$421,354,596.46 (the holders of such claims, the "Concessionaire Creditors"). The Concessionaire Creditors were permitted to vote on the Brazilian Reorganization Plan because they held guarantee or surety claims against one or more of the Rede Debtors (and therefore they were jointly and severally liable for the payment of such claims).

84. A U.S.-based entity, the Inter-American Development Bank ("IADB") – holds the majority in amount of the Concessionaire Creditor Claims. Specifically, the IADB holds claims in the amount of US$151,236,898.80 against the Rede Concessionaires CEMAT and CELTINS, which are guaranteed by Rede. The IADB has opted to have its guarantees replaced by Energisa, pursuant to section 9.6. of the Brazilian Reorganization Plan, as discussed below. The IADB supports confirmation of the Brazilian Reorganization Plan. The remaining 11 Concessionaire Creditors are Brazilian-based entities.

(ii) *Treatment of Concessionaire Creditor Claims*

85. Concessionaire Creditor Claims are entitled to the same treatment as General Unsecured Creditors (i.e., Options A, B and C discussed above).[18] However, if the

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[17] The Ad Hoc Group members made their election along with a reservation of rights to continue challenging the Brazilian Reorganization Plan, indicating only that, if the Brazilian Reorganization Plan is implemented, Option C is the least bad option.

Concessionaire Creditor agrees, among other things, not to take further enforcement actions and to waive all defaults, fines and penalties against the Rede Concessionaires and the Rede Debtors, the Concessionaire Creditors shall (i) receive within sixty (60) days of the closing date, any portion of their obligations that have already matured as per their original schedule (excluding fines and penalties) and (ii) have their surety, guarantee or joint obligations replaced by Energisa on the same terms and conditions thereof.

86. In order to lift its intervention in the Rede Concessionaires, ANEEL required that Energisa (or any other potential investor in the Rede Debtors) address and mitigate the risks of potential defaults under the Concession Agreements by adequately capitalizing the Rede Concessionaires, including by settling the debts owed to the Rede Concessionaires by the Rede Debtors and other Rede Concessionaires, curing the Rede Concessionaires' outstanding defaults, and assuming or paying down the Rede Concessionaires' outstanding debts.

e. Treatment of Subsidiary Concessionaire Claims

(i) *Identity of the Rede Concessionaires Holding Claims Against the Rede Debtors*

87. Each of the eight Rede Concessionaires holds Subsidiary Concessionaire Claims against the Rede Debtors, which in the aggregate total R$504,007,141.09.[19] None of these parties were permitted to vote on the Plan as they are affiliates of the Rede Debtors.

(ii) *Treatment of Subsidiary Concessionaire Claims*

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[18] See Brazilian Reorganization Plan at § 9.6.1. (providing that if Concessionaire Creditors do not take required actions to receive treatment under section 9.6, they shall have the same recovery options as all other unsecured creditors, as set forth in sections 9.1. and 9.2).

[19] The Creditors' List contains ten Subsidiary Concessionaire Claims because three of the Concessionaires each hold two separate claims against the Rede Debtors.

88. The Brazilian Reorganization Plan provides that Subsidiary Concessionaire Claims will receive the treatment contained in the ANEEL Plan.[20]

89. The ANEEL Plan, in turn, provides that Energisa will cause the Subsidiary Concessionaire Claims (and claims owed to the Rede Concessionaires by other Rede Concessionaires) to be paid in full within the time periods set forth therein (i.e., sixty (60) days in most cases).

90. Energisa has committed to invest at least R$1.2 billion in the Rede Concessionaires under the ANEEL Plan, and a significant portion of such amount will be used to cause the Rede Debtors to settle the Subsidiary Concessionaire Claims via such payments.

f. Treatment of BNDESPar Claims

91. BNDESPar, a holder of 15.9% of the shares of Rede, held the right to sell its Rede shares to EEVP in return for a debt claim of $R390mm. BNDESPar never exercised such put right, either before or after the judicial reorganization filing. As a result, BNDESPar did not have a claim listed on the Creditors List and will not, expressly, receive any new distribution as a claimant under the Brazilian Reorganization Plan (though it will retain its Rede shares, as discussed in section 5 below).

92. On January 7, 2014, Energisa submitted a brief in response to the Ad Hoc Group's appeal of the Brazilian Confirmation Order, which discussed the existence of BNDESPar's put right. In that brief, Energisa noted that the BNDESPar claim for the exercise of such put remains a contingent liability for which Energisa may ultimately be responsible:

> BNDESPar is entitled to a put option of Rede shares, [against] EEVP, in the approximate amount of R$390 million (guaranteed

[20] See Brazilian Reorganization Plan at § 9.7.1.

by Rede Energisa itself) – an amount that constitutes, in fact, a contingent liability not registered in the balance sheet.

5. Equity Holders

93. The Brazilian Reorganization Plan does not provide treatment for the shareholders of the Rede Debtors, as shareholders cannot be deprived of their interests under the Brazilian Bankruptcy law without their consent.

94. As described supra at paragraph 43, pursuant to the SPA with Energisa, the Controlling Shareholder agreed to transfer all of his equity interests in the Rede Group to Energisa in consideration for the symbolic price of one Brazilian real (R$1.00).[21] The SPA and the Brazilian Reorganization Plan also call for the assumption by Energisa of certain guarantees of the debts of the Rede Group that had been provided by the Controlling Shareholder.

95. Although the Brazilian Reorganization Plan does not extinguish the remaining equity interests held by minority shareholders, these remaining minority shares will be diluted upon the consummation of the Brazilian Reorganization Plan. First, the Rede Debtors will make a capital call to satisfy the Brazilian Reorganization Plan's requirement that it repay Energisa, within one (1) year of such assignment, and with 12.5% interest, R$498,389,468.24 for the amount Energisa paid to the creditors of the Rede Debtors in exchange for the assignment of their approximately R$2 billion in claims.[22] Second, pursuant to the ANEEL Plan, Energisa is required to invest a minimum of R$1.2 billion in the Rede Concessionaires, which Energisa

[21] As of May 1, 2014, one Brazilian Real (R$1) equates to forty-five U.S. cents (USD $0.45).

[22] See Brazilian Reorganization Plan at § 8.2.3 (providing that the claims assigned by secured creditors or unsecured creditors to Energisa will be paid by the Rede Debtors to Energisa (or its assigns) in the following conditions: (i) the amount corresponding to twenty-five (25%) of the total amount of assigned claims will be paid in one installment within one (1) year from the payment of the assignment and (ii) the remaining amount corresponding to seventy-five (75%) percent of the total amount of assigned claims will be paid in one installment at the end of the period of twenty-two (22) years, with capitalized interest of zero point five percent (0.5%) per year as from the payment of the assignment).

expects to accomplish by flowing these funds through the Rede Debtors via a series of capital calls.

I. Vote of the Indenture Trustee

96. As noted above, certain members of the Ad Hoc Group held notes issued by CELPA and were active in the CELPA bankruptcy proceedings in Brazil and in the United States through the same U.S. counsel. Likewise, Brazilian counsel to CELPA was the same Brazilian counsel that represents the Rede Debtors here. In the CELPA proceeding, CELPA, through counsel, objected to efforts by bondholders to have their claims separately recognized for voting purposes. In the Rede case, the members of the Ad Hoc Group nevertheless took steps and incurred the costs necessary to ensure that their beneficial note claims were separately recognized from the global note claim (which was filed by the Indenture Trustee as the representative for the rest of the global note issuance) by each filing a proof of claim and accompanying paperwork with the Judicial Administrator, verifying their identities and beneficial holdings. The Ad Hoc Group members' requests for separation were approved, and their individual claims were separately listed on the Creditors' List. The members of the Ad Hoc Group thus gained the individual rights of creditors to vote on a plan at the general meetings of creditors.

97. Other Noteholders holding beneficial interests in the Perpetual Notes likewise could have sought to have their beneficial note claims separately recognized from the global note claim, but none did. The Ad Hoc Group contends that the costs of this effort and the corresponding uncertainty given objections to separation in past cases may have discouraged others from seeking vote separation. The Rede Debtors dispute this contention, believe that such

process was necessary to verify the identities of the Noteholders, and believe that the U.S. Bankruptcy Code requires similar procedures for creditors wishing to file a proof of claim.

98. Each of the members of the Ad Hoc Group attended the general meetings of creditors – either directly or through a proxy or legal counsel – and at the third meeting of creditors voted to reject the Brazilian Reorganization Plan.

99. The Ad Hoc Group, along with certain other holders of the Perpetual Notes, also directed the Indenture Trustee to vote its global claim to reject the Brazilian Reorganization Plan at the third meeting of creditors. Having obtained a ruling from the Brazilian Bankruptcy Court that the Indenture Trustee could vote, the Indenture Trustee voted to reject the Brazilian Reorganization Plan on behalf of all Noteholders other than the members of the Ad Hoc Group – including those Noteholders who did not direct or authorize the Indenture Trustee to vote on their behalf.

100. On July 15, 2013, Rede had appealed and sought injunctive relief from the court of appeals and reconsideration of the Brazilian Bankruptcy Court's decision allowing the Indenture Trustee to vote. On July 30, 2013, the injunctive relief was denied. On September 9, 2013, ten (10) weeks later, as part of its Confirmation Decision, the Brazilian Bankruptcy Court amended its original decision and found that the Indenture Trustee could not vote on behalf of those Noteholders from whom it did not receive direction or authorization. Upon analysis of the terms of the Indenture, the Brazilian Bankruptcy Court determined that the Indenture Trustee did not have the power, without the consent of each of the individual beneficial holders of Perpetual Notes, to effect any alteration to the values, charges, conditions or maturity dates of all of the Perpetual Notes. See Confirmation Decision at 5-7. The Ad Hoc Group included in its appeal of the Confirmation Decision an appeal of this issue, including an argument (which the Brazilian

Bankruptcy Court rejected) that the Indenture Trustee's decision to vote against the Brazilian Bankruptcy Plan was consistent with the Indenture Trustee's duties not to affect any such alteration, whereas only voting in favor of the Brazilian Bankruptcy Plan could have been a violation of those duties.

101. The Brazilian Bankruptcy Court then determined that the Brazilian Reorganization Plan should be confirmed because, among other reasons, without the vote of the Indenture Trustee, both classes would have voted to accept the Brazilian Reorganization Plan.

102. Later, however, after determining that it had miscalculated the voting results, the Brazilian Bankruptcy Court clarified, via a subsequent order on November 14, 2013, that even without the vote of the Indenture Trustee, the unsecured creditor class had narrowly missed the numerosity requirement for approving the Brazilian Reorganization Plan, and that the Brazilian Bankruptcy Court had confirmed the Brazilian Reorganization Plan pursuant to the Brazilian Bankruptcy Law's cramdown process.

103. The charts set forth in Exhibit R attached hereto reflect (i) the voting results considering the votes of several creditors whose claims and/or voting rights were subject to an objection and were permitted to be provisionally cast, but the counting of such votes was to be dependent on the ultimate resolution of such objections; (ii) the voting results disregarding the votes of several creditors whose claims and/or voting rights were subject to an objection and were permitted to be provisionally cast, but the counting of such votes was to be dependent on the ultimate resolution of such objections; and (iii) the results as counted by the Brazilian Bankruptcy Court for the purpose of confirming the Brazilian Reorganization Plan, after resolving all disputed votes.

104. To obtain approval from the class of unsecured creditors class under Brazilian Bankruptcy Law, the Brazilian Reorganization Plan required at least four (4) more acceptance votes from unsecured creditors to exceed the 50.01% numerosity threshold. The Rede Debtors have appealed the Brazilian Bankruptcy Court's order denying its argument that the votes of parties arguably related to Equatorial and CPFL – which together held seven (7) votes – should be designated because such parties were related to the losing bidders, competitors of the Rede Debtors and had publicly declared that they were interested in investing in the Rede Debtors if the Brazilian Reorganization Plan was rejected. If the Rede Debtors are successful on appeal and the appellate court otherwise affirms the Brazilian Confirmation Order, the Brazilian Reorganization Plan may be deemed approved by both the secured and unsecured creditor classes by consensual means (without the need for cramdown under the Brazilian Bankruptcy Law). Similarly, however, if the Ad Hoc Group prevails in its appeal with respect to the right of the Indenture Trustee to vote, the unsecured class would be deemed to vote against the Brazilian Reorganization Plan by amount, notwithstanding the results with respect to numerosity. Moreover, if the Ad Hoc Group prevails in its appeal with respect to FI-FGTS's right to vote, the Brazilian Reorganization Plan will be unable to satisfy the requirement of a consenting class for cram down purposes. If the Ad Hoc Group prevails in their appeals with respect to consolidation, the Brazilian Reorganization Plan will be unable to satisfy any requirement for either ordinary confirmation or confirmation by cramdown under the Brazilian Bankruptcy Law.

J. Appeals and Regulatory Approvals

105. The Brazilian Reorganization Plan is subject to a number of appeals in Brazil that remain pending, including two appeals by the Ad Hoc Group raising a variety of issues.[23]

106. No court in Brazil stayed the effectiveness of the Brazilian Confirmation Order pending such appeals. All requests for a stay pending appeal – including those made by the Ad Hoc Group – were denied.

107. The Ad Hoc Group has indicated its intention to file further appeals, to the extent necessary, with the Brazilian Superior Court of Justice (which has jurisdiction to hear cases regarding alleged conflicts with federal law) and the Brazilian Supreme Court (which has jurisdiction to hear cases regarding alleged constitutional violations).

108. After reviewing, analyzing and commenting on the ANEEL Plan, ANEEL held a public hearing to discuss the ANEEL Plan and the transfer of control of the Rede Debtors to Energisa, at which nine contributors commented.

109. ANEEL subsequently formally approved the ANEEL Plan and the transfer of control of the Rede Debtors to Energisa. The resolution approving the transaction published January 28, 2014 (the "ANEEL Resolution") required that the transaction be completed by April 15, 2014 and provided that the intervention will be lifted upon the transfer of control to Energisa.

[23] The following parties filed appeals with respect to the Brazilian Reorganization Plan: Abengoa Bioenergia Agroindústria Ltda., Banco Industrial do Brasil S/A, IBS Comercializadora Ltda., Usina Alto Alegre S.A. – Açúcar e Álcool, BS Master Fundo de Investimentos em Direitos Creditórios, Bioenergia Cogeradora S/A, Banco Bradesco S.A., Banco do Brasil S.A., Agro Industrial Vista Alegre S/A, Usina do Rio Pardo S/A and the Ad Hoc Group. As of April 30, nine of these creditors had filed petitions requesting to the court the withdrawal of their appeals, and four of which had already been granted. As a result, there are two appeals still pending judgment

A true and correct copy and certification translation of the ANEEL Resolution is attached hereto as Exhibit S.

110. The transfer of control of the Rede Debtors to Energisa has also been approved by the Brazilian antitrust authorities. The antitrust authorities are responsible for an assessment of antitrust issues and have no responsibility for assessing the merits of the issues raised under Brazilian Bankruptcy Law.

K. Procedural History of this Chapter 15 Case

111. On January 16, 2014, the Foreign Representative filed a petition for relief under chapter 15 of the Bankruptcy Code requesting recognition of the Brazilian Bankruptcy Proceeding as a foreign main proceeding (the "Petition"). As contemplated by the Brazilian Reorganization Plan, the Foreign Representative also filed a Motion requesting relief enforcing the Brazilian Reorganization Plan in the United States (the "Plan Enforcement Relief") in order to allow the Noteholders to receive their distributions under the Brazilian Reorganization Plan. The Brazilian Reorganization Plan provision requiring the commencement of the chapter 15 case was extensively negotiated among the Rede Debtors and the Indenture Trustee with the purpose of safeguarding the interests of the Noteholders.

112. The Foreign Representative served the Motion and published the court-approved notice of the hearing prior to January 29, 2014.

113. On February 25, 2014, the last day for objections to the Motion, the Ad Hoc Group filed the Objection. The Ad Hoc Group did not object to entry of an order recognizing the Brazilian Bankruptcy Proceeding as a foreign main proceeding and the Petitioner as Rede's foreign representative. Accordingly, the parties agreed to, and the court approved, a stipulated order granting recognition to the Brazilian Bankruptcy Proceeding as a foreign main

proceeding. The parties subsequently worked to develop this Stipulated Statement of Facts and Brazilian Bankruptcy Law.

L. Closing of Sale and Timing of an Order Regarding Plan Enforcement Relief

114. As the effectiveness of the Brazilian Confirmation Order had not been stayed pending appeal and in light of certain deadlines affecting the closing of the Brazilian Reorganization Plan (including regulatory approval by the Brazilian National Agency of Electric Energy), on April 11, 2014, Energisa waived, pursuant to its rights under the Brazilian Reorganization Plan, all unsatisfied conditions precedent to the effectiveness of the Brazilian Reorganization Plan, including the condition precedent that this Court have entered an order granting the Plan Enforcement Relief.[24]

115. In connection therewith, on April 11, 2014, Energisa acquired the controlling shares in the Rede Group. As a result of the transfer of such shares, ANEEL terminated the administrative intervention in the Rede Concessionaires.

116. The Rede Group has already made distributions to its creditors pursuant to the Brazilian Reorganization Plan (other than the Noteholders), and all creditors (other than the Noteholders) that choose to assign their claims to Energisa in exchange for a 25% cash distribution have been paid. Energisa has made funds available to immediately pay the Noteholders their 25% cash distributions, upon assignment of the Global Note to Energisa.

117. It appears the Indenture Trustee will not take steps to mechanically assign the Global Note representing all of the Perpetual Notes to Energisa (in accordance with the Brazilian Confirmation Order) without obtaining a direction from this Court. While Energisa may deposit the funds with the Brazilian Bankruptcy Court for the benefit of the holders of the

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[24] See Brazilian Reorganization Plan §§ 10.4 and 10.5.1.

Perpetual Notes, Energisa is unlikely to fund the distribution directly to the Indenture Trustee without assurance of such assignment.

118. Section 4.13 of the Brazilian Reorganization Plan provides that the payments to the Noteholders under the Brazilian Reorganization Plan may be delayed due to delays in obtaining the Plan Enforcement Relief in this Chapter 15 case.

119. Neither Rede nor Energisa have significant assets located in the U.S. and thus the Rede Debtors believe the Noteholders will not be able to effectively enforce their Perpetual Notes in courts in the U.S.

Dated: May 2, 2014
New York, New York

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