

Deal of the Month

Cobra's Debt Restructuring



Alfredo Craca, partner of Craca Di Carlo Guffanti Pisapia Tatozzi

Cobra, a leading international group providing worldwide vehicle-centric solutions, integrating automotive services and advanced telematics technologies, recently signed a restructuring agreement that confirms and reschedules current short and medium-long term credit facilities.

Alfredo Craca, an advisor to Cobra, has experience in the areas of corporate, commercial, banking, financial and insolvency law, in both the contentious (including arbitration) and non-contentious sectors. After many years of experience acquired in a leading Italian law firm, as partner, managing extremely important and complex issues, in 2006 Alfredo Craca's co-founded Craca Pisapia Tatozzi Studio Legale.

The new firm Craca Di Carlo Guffanti Pisapia Tatozzi & Associati - effective from 1 January 2014 - combines the experience of the well-established firm Craca Pisapia Tatozzi Studio Legale and the team of Francesco Di Carlo and Edoardo Guffanti, formerly partners of a leading law firm in the field of banking, financial, investments and insurance services.

The newly established firm merged the extensive and consolidated experience in the field of contentious issues of Craca Pisapia Tatozzi Studio Legale, with the expertise accrued by Di Carlo and Guffanti's team in the field of banking, financial, investments and insurance services. The firm now offers consultant and assistance in both these fields in pre-litigation, litigation and arbitration and with extra-jurisdictional advice on banking, financial, investments and insurance issues.

The firm has a strong and reputed experience in the field of bankruptcy law, related to all insolvency issues, including the identification of the procedures applicable and the preparation of the corresponding documentation and out-of-court management of company crises, assisting clients in the negotiation of debt restructuring agreements or compositions with creditors.

The Deal

Alfredo Craca, with the co-operation of the associate Lea Lidia Lavitola, provided assistance to Cobra Automotive Technologies S.p.A. ("Cobra") - a listed company on the Milan Stock

Exchange that operates internationally in the field of safety for the prevention and management of risks associated with road vehicles - in the process of restructuring its bank debt by concluding new agreements with the banks that have credit exposure to the company. The transaction had a value of approximately 50 million Euro and took one year of negotiations to reach an agreement with the banks.

The restructuring agreement, that will allow the development of the activities of Cobra Group in the next years, provides, inter alia: (i) the restructuring of medium-long term loans with a grace period until 30 December 2016 and with final date of the repayment plan on 31 December 2019; (ii) standstill of the commercial credit lines, with a mechanism of automatic renewal, provided that certain conditions are met; (iii) the faculty for the company to obtain new credit lines to sustain the business' development. The company has also undertaken to comply with certain financial covenants for the entire period covered by the agreement.

In the context of the debt restructuring, in order to allow the achievement of an agreement with the banks, Cobra has also gained the consent of its major shareholder (KME Partecipazioni S.p.A.) to accept its possible designation for the purchase of a stake in Cobra Telematics SA owed by Tracker Connect Proprietary Limited if (i) Tracker exercise a put option on such stake under a shareholder agreement related to Cobra Telematics SA entered into with Cobra on 31 July 2012 and (ii) KME decides, at its sole discretion, to appoint KME Partecipazioni S.p.A. as third purchaser.

Craca's team drafted the restructuring agreement with the banks, prepared the related documentation and attended Cobra's directors' meetings giving to the independent committee the requested clarifications as to the transaction and Cobra's undertakings vis-à-vis the banks.

There was a time when the negotiation with the banks came to a crucial point: after almost one year of negotiations and few weeks before the date scheduled for the signing, the banks asked for the change of the interest rate to be applied to the restructured loans and the involvement of a third party acting as agent to collect information and made the calculations under the restructuring agreement.

Cobra and its financial advisor, along with Craca's team, did their best to implement the banks' requirements to the extent it was coherent with the industrial and financial plan approved by the company for the forthcoming years and represented to the banks that a further postponement could have had negative effects also on the commercial relationship between Cobra and its clients and suppliers as well as could have prevented Cobra to get started on a concrete basis to receive the new credit lines - provided under the agreement - to sustain the business that, for its nature, needs an adequate assistance of net working capital.

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