

Thoughts on the Possible Restructuring of Venezuelan Debt

Steven T. Kargman interviewed by LEC

Introduction

LEC Abogados is a top-tier financing, energy and transactional law firm based in Venezuela, with a very unique practical approach to the needs of our clients. Our partners in the areas of energy, corporate finance, structured finance, banking, securities, mergers and acquisitions, bankruptcy and reorganization, real estate, construction sector and financial dispute resolution, have strong academic backgrounds in their respective areas of expertise. LEC Abogados has many decades of combined experience working in some of the most complex deals in Venezuela as well as internationally with numerous successful deals in Latin America and now in Europe from our office in Madrid, Spain.

In view of the importance of a well balance and thoughtful program to renegotiate the sovereign/Pdvsa external debt, we have decided to open up a dialogue with important stakeholders of the financial, academic, legal and institutional sectors, to discuss key elements that might be incorporated in the possible scenarios that Venezuela would face in the process of restructuring and refinancing of its sovereign debt, as well as in the funding and execution of the reconstruction of the country.

Our objective is to spread relevant knowledge and expertise and our own views as legal practitioners as to possible solutions that would be considered for a proper and comprehensive negotiation program. Venezuela deserves a brighter future and we truly believe that collectively we will find the alternatives to create solutions that align the interest of the various parties involved in this very complex process.

The views and opinions expressed in these interviews are of those being interviewed and do not necessarily reflect the opinion and position of LEC Abogados or of any of its members.

Steven T. Kargman



Steven T. Kargman is the Founder and President of Kargman Associates, a New York City-based strategic advisory firm specializing in providing strategic advice to clients involved in complex and challenging international restructuring situations, with a special focus on emerging markets around the globe. Mr. Kargman is a leading expert on international debt restructurings and cross-border insolvency, and he served formerly as Lead Attorney with the Export-Import Bank of the United States, the official export credit agency of the US government, and as General Counsel of the New York State Financial Control Board, the chief financial oversight agency for New York City. He has worked on numerous high-profile and complex restructuring and infrastructure project transactions in the emerging markets. He has also advised multilateral institutions and national governments in developing countries and emerging markets on a wide range of financial and commercial matters. He has published numerous articles in leading professional journals, held leadership positions in major professional organizations, and taught at law schools in China and the US. He is frequently invited to lecture at prestigious forums around the world, including programs in Africa, Asia, Europe, Latin America, and North America.

He co-authored a proposal for establishing a permanent international arbitration tribunal for handling sovereign debt restructuring disputes which he first presented at a UN symposium and then presented at a meeting of the UN General Assembly's Second Committee (Economic and Financial Committee). He has published a number of articles on sovereign debt issues, including a recent four-part series in *The International Economy* on the Venezuelan debt crisis and an overview article on sovereign debt issues for a volume published by the Organization of American States. He has chaired and participated in many panel discussions in the US and abroad on sovereign debt issues, and he has been quoted on these issues, including on the eurozone debt crisis, in major news media outlets such as *The Wall Street Journal* and *Bloomberg*. He advised on Paris Club issues while at US Export-Import Bank, and he first became involved with sovereign debt issues in 1980 when he prepared an analysis for the US Senate Judiciary Committee on the implications of so-called petrodollar recycling for developing countries (then referred to as LDCs), including the possible eventual need for sovereign debt restructuring among those countries.

A former Henry Luce Scholar in Singapore, he received his JD from Yale Law School, where he was an editor of *The Yale Law Journal*, and he received his BA from Swarthmore College with Honors and Phi Beta Kappa.

1. What's the current situation of Venezuela in connection with its sovereign debt's obligations?

Venezuela's debt situation is fairly unique in that it is not merely the sovereign itself (i.e., the Republic of Venezuela) that has incurred major debt obligations, but Venezuela's state-owned oil company, PDVSA, also has a substantial debt load. Thus,

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In contrast to the more typical sovereign debt restructuring situation, there are two significant obligors in the Venezuelan context: the Republic of Venezuela and PDVSA. Importantly, both the Republic and PDVSA are in default on virtually all of their outstanding debt obligations, although PDVSA had until recently continued to make payments on one particular bond issuance, namely the PDVSA 2020 bonds.

In the Crystallex litigation, the US Court of Appeals for the Third Circuit affirmed a US District Court ruling that found that PDVSA was the 'alter ego' of the Republic. Thus, unless the Third Circuit decision is overturned on appeal or there are other legal obstacles put in their way (such as any actions by the US executive branch), creditors of the Republic who have judgments against the Republic will be able to pursue the assets of PDVSA and its affiliates, including ultimately PDVSA's extremely valuable US asset, namely Citgo Petroleum Corporation (Citgo).

It should be noted that apparently Venezuela has continued to ship oil to China and Russia as part of the oil-for-loan transactions, so Venezuela is effectively continuing to service that debt (subject to late shipments by Venezuela and other issues). The oil that Venezuela is shipping to China and Russia, which are Venezuela's largest bilateral creditors, could otherwise be sold to other customers for hard cash which is desperately needed in Venezuela given its nearly depleted foreign exchange reserves.

The PDVSA 2020 bonds are a special case because the holders of those bonds have a 50.1% security interest in the shares of Citgo Holding, the holding company for Citgo. Thus,

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PDVSA has been incentivized to continue servicing that debt for as long as possible so that it does not lose control of Citgo, arguably Venezuela's most valuable asset outside of Venezuela and which is often referred to as PDVSA's 'crown jewel.'

The Juan Guaidó-led opposition forces comprising the so-called interim government appointed alternate Boards of Directors for PDVSA and Citgo, and those Boards authorized a \$71 million interest payment on the PDVSA 2020 bonds last spring. PDVSA recently had a huge principal and interest payment in the amount of \$913 million due on October 28, 2019, and in the period leading up to the payment date, it looked highly unlikely that PDVSA would

be able to make the payment, in which case control of Citgo would have effectively been lost to the holders of the PDVSA 2020 bonds.

Yet, at virtually the last minute, on October 24, the Office of Foreign Assets Control (OFAC) of the US Treasury Department temporarily suspended for a period of ninety days a so-called license (i.e., relief from sanctions) it had given the PDVSA 2020 bondholders. This license had permitted the PDVSA 2020 bondholders to enforce on their collateral in the Citgo Holding stock notwithstanding the existence of sanctions which would otherwise have prevented such an action by the PDVSA 2020 bondholders. Thus, by the October 24 OFAC action suspending that license, the PDVSA 2020 bondholders could not foreclose on the pledge in Citgo Holding shares in their favor for a period of ninety days. Stated another way, PDVSA and the Guaidó-led interim government were given an important short-term reprieve by the OFAC action.

Most recently, in connection with a lawsuit challenging the validity of the PDVSA 2020 bonds which was brought by the alternate PDVSA board appointed by the Guaidó-led interim government, a forbearance arrangement has been put in place under which PDVSA 2020 bondholders have apparently agreed not to foreclose on the pledge of the Citgo Holding shares until May 2020.

2.

What sovereign restructuring precedent do you think more closely resembles Venezuela, and would best help Venezuela design its restructuring strategy?

There is probably no direct parallel to the Venezuelan situation which is perhaps not surprising since many sovereign debt restructurings, to one extent or another, have their own unique characteristics. However,

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as an oil-rich, middle-income country that will eventually need to emerge from a period of turbulence, Venezuela might seem to share at least some superficial similarities with Iraq when it was trying to emerge from the turbulence of the Iraq war and thereafter in the mid-2000s undertook a restructuring of Saddam-era debt.

The Iraqi restructuring was greatly affected by geopolitical considerations given the strong interest of the George W. Bush administration in getting Iraq back on its feet economically following the Iraq war, something which was seen as being a sine qua non of achieving stability in Iraq. The geopolitical dimension of the Iraqi restructuring was reflected in, among other things, the unusual treatment Iraq was accorded at the Paris Club where middle-income countries are not typically given debt relief and particularly not the type of deep debt relief offered to Iraq.

Indeed, a whole new approach was developed by the then G-8 to deal with the Iraqi situation

at the Paris Club, the so-called Evian Approach, under which a broader range of countries were to be eligible for debt relief. Under that approach, sovereign debt situations were to be evaluated on a case-by-case basis based on a debt sustainability analysis of the country in question. The geopolitical nature of the Iraqi restructuring was also reflected in the unprecedented UN Security Council resolution immunizing Iraq's petroleum and petroleum-related assets from attachment, and the broad executive order issued by the George W. Bush administration.

It remains to be seen whether geopolitical considerations will be such a driving force in any eventual Venezuelan restructuring. On the one side, the US is likely to have a major interest in whatever any post-Maduro political settlement looks like. US policymakers are likely to see Venezuela as affecting important US national interests given the long-standing interests and involvement of the US in Latin America.

On the other side, Venezuela's two largest bilateral creditors, China and Russia, may also have their own significant geopolitical interests in Venezuela—interests that may well not be congruent with and may even conflict with the interests of the US. Russia may, to the extent possible, be eager to solidify a geostrategic foothold in Latin America (i.e., in the “backyard”

of the US), thereby potentially putting Russia in conflict with the US. While Chinese objectives may not be as readily apparent, it may be that, among other things, China sees Venezuela as an important element in pursuing its Belt and Road Initiative (BRI) strategy for Latin America and securing a reliable source of natural resources for China.

To be sure, this divergence of interests between the US, on the one hand, and certainly Russia, on the other hand, is likely to make any action at the UN Security Council along the lines of the Security Council resolution for Iraq a non-starter given the veto power of each of the 'Big Five' on the Security Council. Thus, to the extent that the element of geopolitics ultimately plays a role in any eventual Venezuelan debt restructuring, it may break differently than it did in the Iraqi situation given that the US and Russia may well be on opposite sides of the Venezuelan situation when debt restructuring issues eventually come to the fore.

Another relevant element of the Iraqi restructuring relevant to the Venezuela situation is that Iraq's creditor body was highly diverse. Its creditor body consisted of, among other parties, Paris Club creditors, non-Paris Club bilateral creditors (especially a number of the Gulf countries), a group of commercial banks (mostly from the Middle East), and numerous commercial creditors.

Similarly, the Venezuelan creditor body is very diverse. In the Venezuelan case, there are some of the usual parties in modern-day sovereign restructurings such as a large body of bondholders, but there are also many other types of creditors. For example, there are bilateral creditors (especially China (non-Paris Club) and Russia), trade creditors, arbitration award holders, claimants to so-called 'blocked payments' (e.g., foreign airlines), and so forth. The sheer diversity of the Venezuelan creditor body certainly has the potential to make any Venezuelan restructuring a very messy and complex affair.

However, unlike the Venezuelan situation, Iraq did not have outstanding bondholders. In the Venezuelan situation, there is approximately \$50-60 billion of outstanding bond debt issued by both the Republic and PDVSA.

A third relevant element is the role that oil played in debt sustainability analyses for the Iraqi debt restructuring. In its debt sustainability analysis, the IMF apparently assumed a certain price of oil for purposes of calculating Iraq's revenue-generating capabilities. Later, some observers said that the IMF had essentially been overly conservative in forecasting the price of oil, and these observers claimed that by so doing, the IMF was effectively providing a basis for those parties seeking a larger haircut being imposed on Iraq's creditors.

In light of the centrality of oil to Venezuela's economy, both the price of oil and Venezuela's production levels of oil are likely to be absolutely crucial inputs for any debt sustainability analysis undertaken by the IMF or, indeed, by other parties to a Venezuelan debt restructuring. Yet, forecasting price levels and production levels are hardly straightforward matters and are not likely to be free of controversy or dispute, particularly in the Venezuelan context.

For one thing, Venezuela's oil production capabilities have been severely degraded over the last decade or longer, and therefore how much oil Venezuela will be able to produce in the future will depend on how quickly Venezuela is able to rebuild its production capabilities. That, in turn, will depend in large part how much investment Venezuela will be able to attract to its oil sector, which is very hard to say at the present time. In short, there is much uncertainty as to how much oil Venezuela will be able to produce in the future.

As to the price of oil, it almost goes without saying that the price of oil can be highly variable and is subject to wide swings from the top of the cycle to the bottom of the cycle. In recent years, Venezuela has seen prices that soared above \$100 per barrel with a boom in oil prices extending through the early 2010s, and then, with the collapse of oil prices in 2014, it witnessed the collapse of the price of oil to the low \$30s per barrel. When the price of oil exceeded \$100 per barrel, Venezuela was relatively flush with cash and its finances were not in the precarious condition that they are today.

Obviously, the price of oil is dependent on many factors, including for example the presence or absence of conflict in the Persian Gulf (see, e.g., recent strikes on the Saudi oil fields). Thus, for purposes of any debt sustainability analysis undertaken for Venezuela, forecasting the price of oil as part of that analysis may well be subject to considerable debate.

A final relevant factor from the Iraqi situation is the issue of so-called 'odious debt.' Many observers thought that the new government in Iraq had a basis for invoking the odious debt 'doctrine' (although it is perhaps more appropriately

described as a concept than a widely accepted doctrine) when dealing with the restructuring of the Saddam-era debts. That would have given Iraq a basis for repudiating certain debts incurred by the Saddam regime, such as any debts that were incurred by the Saddam regime for atrocities against or repression of the Iraqi people.

However, in the actual event, the new Iraqi post-Saddam government did not choose to invoke 'odious debt.' Perhaps invoking 'odious debt' was unnecessary because as a result of US-led efforts at the Paris Club and elsewhere (including the whirlwind tour around the world by the George W. Bush administration's special envoy, James Baker), Iraq was able to achieve a huge haircut—an 80% nominal reduction—in the outstanding Saddam-era debt held by Paris Club creditors (which was then used as a template for seeking similar haircuts for other creditors).

In the Venezuelan context, a new government might well consider whether any of the debts incurred by the Chavez and Maduro regimes constitute 'odious debt.' For example, a new government might consider whether debt incurred by the Venezuelan government under Chavez and Maduro to finance purchases of military hardware was used for legitimate purposes or rather was used for, say, repressing Venezuelan opposition forces.

Yet, apart from considerations of odious debt, a new government might consider whether certain debts incurred by the prior governments were incurred on a legitimate basis from a procedural standpoint. Specifically, the question will be: Did the Maduro regime in particular incur debts approved by the new Constituent Assembly where those debts and

any related arrangements (e.g., credit enhancements, etc.) should have been approved by Venezuela's long-standing legislative body, namely the National Assembly (as arguably required by Venezuela's constitution and/or other applicable Venezuelan law)?

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It would therefore not be surprising to see a new government review all financing transactions under the Maduro regime that were approved by the Constituent Assembly (created by the Maduro regime) but that were not approved by the National Assembly.

Indeed, a lawsuit was recently filed by PDVSA's alternate board challenging the validity of the PDVSA 2020 bonds, and the underlying premise of that lawsuit is that the granting of the security interest to the PDVSA 2020 bondholders in the stock of Citgo Holding was a matter of 'national interest' for Venezuela and should therefore have been approved by the National Assembly pursuant to the Venezuelan constitution but which did not in fact take place.

3.

Considering that Venezuelan holds the largest crude reserves of the world, would this need to be considered as a critical element in the sovereign restructuring process? (e.g., petroleum projects are capital intensive and would require access to international markets).

The fact that Venezuela holds the largest crude oil reserves in the world could be very relevant from several different perspectives. First, certain creditors may argue that Venezuela is not facing a solvency crisis given its large oil reserves, but rather merely a shorter-term liquidity crisis that can be addressed through a short-term rescheduling or reprofiling of debt. Thus, in view of Venezuela's vast oil reserves,

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certain creditors may be very reluctant to take haircuts on their debt but instead may prefer to reprofile or reschedule their debt for a period of a few years.

Second, the existence of abundant oil reserves may offer the restructuring parties an opportunity to construct a debt-for-equity type restructuring option whereby certain debt holders could exchange their debt for a right to develop a given quantum of Venezuela's oil reserves. This may be an attractive option to some of Venezuela's current creditors (such as certain oil field operators) who are owed billions of dollars but who may see their best chance of recovery as predicated on being granted the right to develop a certain amount of Venezuela's oil reserves.

This would not be a classic debt-for-equity swap such as in the corporate debt restructuring context whereby a creditor forgives a certain amount of debt in return for a certain number of shares of stock in

the debtor company (or, as earlier previously in the sovereign context, for shares of stock in a newly privatized enterprise which was previously owned by the government). Rather, the 'equity' piece would come from the oil development rights granted to the restructuring creditor. And for creditors who choose to avail themselves of such a debt-for-equity swap, they would be banking on a potential upside if they are able to successfully develop the reserves given to them and if, for example, the price of oil escalates beyond current expectations.

Third, it should be noted that Venezuela's oil production capabilities—both its physical capacity and its human capital—have been severely degraded over at least the past ten to fifteen years going back to the Chavez regime. Venezuela is producing only a fraction of the oil that it produced even just a few years ago. Daily oil production has now apparently plummeted to well below a million barrels a day, and this continues to be a major blow to an economy already in a tailspin. As a result, even though Venezuela is sitting atop huge oil reserves, at present it is hardly in any position to take advantage of those huge reserves given the major degradation of Venezuela's oil-producing capabilities in recent years.

For the Venezuelan economy to recover in the future, any new government in Venezuela will need to restore Venezuela's oil-producing capabilities.

And, among other things, that will take billions and billions of dollars of new investment in Venezuela's oil sector, even possibly tens of billions of dollars according to some estimates. Furthermore, Venezuela will need to rebuild the ranks of PDVSA and its oil sector generally with the talent and expertise it used to have.

Finally, any eventual Venezuelan restructuring plan may include so-called oil warrants as a potential sweetener for creditors, just as other recent sovereign debt restructurings (e.g., Argentina and Greece) have included GDP warrants as part of those respective restructuring plans. With oil warrants, if the price of oil exceeds a certain baseline projection for oil prices, then the creditors will be entitled to an additional payout beyond the debt service payments that they would otherwise receive pursuant to the terms of the restructured debt. Thus, if the baseline projection for the price of oil proves to be overly conservative, then the creditors will be able to achieve an upside based on the better-than-expected price of oil.

4.

What's your opinion on OFAC sanctions in connection with Venezuelan sovereign debt?

The OFAC sanctions are now very far-reaching in their effects, and thus any party involved with Venezuelan government debt and/or any future Venezuelan debt restructuring will have to consider the impact of the sanctions on whatever course of action or decisions they may be considering.

Among other things, the sanctions against Venezuela prevent US holders from acquiring "new" debt securities issued by Venezuela. Any Venezuelan debt restructuring would inevitably involve a bond exchange where existing bondholders would exchange their old debt for new debt securities that would incorporate the terms of the restructuring.

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But under the sanctions currently in place, the acquisition by US persons of new debt securities issued by Venezuela would not be possible and thus a normal bond exchange for a Venezuelan sovereign debt restructuring could not take place, thereby precluding the possibility of a Venezuelan debt restructuring under the current sanctions regime.

In addition, the sanctions prevent any US person from having contact with certain designated Venezuelan nationals. When Maduro first constituted his negotiating team for debt restructuring, the leader of the team was an individual who was one of those designated Venezuelan nationals with whom US persons could not have interactions. As a result, it would not have been possible for US persons to negotiate a debt restructuring with Maduro's original debt restructuring team.

To be sure, there are many other reasons why a debt restructuring will not be possible while the Maduro regime remains in power, including for example the fact that Venezuela has not had a so-called Article IV review by the IMF in over a decade as well as the fact that the Maduro regime is unlikely to be amenable to any type of adjustment plan that would likely be a requirement of creditors for agreeing to a debt restructuring with Venezuela.

Further, as of early 2019, the sanctions essentially prevent US holders of Venezuelan government debt securities from transferring their existing debt securities to other US persons. As many distressed debt players are US persons, this aspect of the sanctions seriously limits the secondary market for Venezuelan government debt and many current US holders of such debt will therefore not have a ready exit if they want to trade out of their existing Venezuelan debt positions.

Overall, with the passage of time, the Trump administration has imposed a sweeping set of sanctions against Venezuela and PDVSA (although certain relief has been granted by

OFAC), including 'blocking' or freezing sanctions it imposed in early August on Venezuelan assets in the US (including assets of PDVSA) and earlier sanctions that, among other things, effectively cut off US imports of Venezuelan oil shipments. Through its sanctions, the Trump administration has sought to ratchet up the economic pressure on the Maduro regime in order to bring about regime change in Venezuela.

As noted above, on October 24, OFAC, by temporarily suspending a license it had previously granted to the PDVSA 2020 bondholders, took an important action which effectively extended a short-term lifeline to PDVSA when it appeared unlikely that PDVSA would be unable to make a \$913 payment on October 28.

In sum, the issue of OFAC sanctions is a highly complex and technical legal subject, and parties would be well advised to have a comprehensive understanding of the state of play of sanctions when making any litigation or restructuring-related decisions since the sanctions could certainly have an impact on any course of action that the parties may wish to consider pursuing. Creditors and other relevant parties would need to realize that a sanctions regime can be a moving target, as sanctions can be modified over time, licenses that were previously granted by OFAC can be withdrawn or temporarily suspended (as with OFAC's action on October 24 concerning the PDVSA 2020 bonds), and guidance that was previously issued by OFAC can change. Furthermore, of course, parties should consult with legal counsel before making any decisions on sanctions-related matters.

5.

Given the complex social, economical, political, legal situation of Venezuela, where would you invest your first dollar as head of a new government? And when to start a restructuring?

First and foremost, any new government in Venezuela will need to address the urgent and serious humanitarian crisis that exists in Venezuela. The humanitarian situation appears to grow more dire by the day, so any new government will need to mobilize resources on an urgent basis from the international community to address the basic unmet social and human needs of the Venezuelan population.

With massive shortages of food in Venezuela, there has been widespread malnutrition among Venezuelans. Moreover, with major shortages of medicine, medical staff, and even functioning medical equipment, there has been virtually a complete breakdown of Venezuela's health care system. Further, in the wake of these developments and the collapse of the Venezuelan economy, millions of Venezuelans—four million by recent estimates—have fled Venezuela and sought refuge in other countries in the region.

These are just some of the huge challenges any new government will face upon assuming power. Yet, for any new government to have any legitimacy among the Venezuelan public, it will need to move quickly to address these societal problems once it assumes power. It will also need to consider taking initial steps to address the wide array of economic problems currently facing Venezuela, including among other issues the ruinous hyperinflation that

exists in Venezuela and the seriously devalued Venezuelan currency. In other words, a new government will want to focus on how it can begin to stabilize the Venezuelan economy to the extent possible.

To be sure, though, the international community will need to rally to Venezuela's side with substantial resources in order for this crisis to be properly addressed, both on the humanitarian side as well as on the economic reconstruction side. Once it gets back on its feet economically (which could take some time, even a period of several years), Venezuela may eventually be able to generate substantial revenues to fund itself. However, in the early days of a new government, Venezuela will be largely dependent on outside resources—from both the public and private sectors—to address the social and humanitarian crisis that the new government will likely then be facing.

With respect to the issue of when to start a debt restructuring process, it needs to be recognized that it will be hard to do much on that front until there is greater clarity as to Venezuela's financial and economic condition, particularly since currently there is very limited reliable information on the state of the Venezuelan economy. As indicated by the restructuring guidelines issued by the Venezuelan interim government in early July, soon after a political transition in Venezuela takes

place, the new government would have to engage with the IMF and other multilateral institutions. Those guidelines state, “As a practical matter, a detailed discussion about the financial terms of the foreign currency-denominated claims renegotiation must await the conclusion of the IMF’s assessment of Venezuela’s condition and economic prospects.”

However, given the paucity of information currently available on the state of the Venezuelan economy as well as Venezuela’s lack of engagement with IMF for over a decade (the IMF’s last Article IV consultation with Venezuela was in 2004), it could take the IMF and other official institutions a period of at least several months to conduct that initial assessment of the Venezuelan economy. Furthermore, as the interim government itself acknowledges in the restructuring guidelines, “The Authorities recognize that designing an economic recovery program for a country in the condition of Venezuela will be a challenging and time-consuming task.”

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Creditors will likely expect to see an economic recovery plan before they agree to restructure their debt. Moreover, to the extent that they become major players in Venezuela’s future, the multilateral institutions (e.g., IMF, World Bank, Inter-American Development Bank, CAF, etc.) will likely also want to see that Venezuela is committed to a specific economic recovery plan before they commit long-term financial resources to Venezuela.

Thus, there is a very limited likelihood of any debt restructuring deal being negotiated until a new government is able to develop or commit itself to a credible and comprehensive plan for rebuilding the Venezuelan economy (and, indeed, restoring elements of a functioning Venezuelan society as noted above) and until there is greater certainty or confidence among the relevant parties as to the prospects for an economic recovery in Venezuela.

Nonetheless, there is always the possibility, particularly in the early days of a post-Maduro regime, that certain parties might advocate a reprofiling of Venezuelan debt for a few years, as opposed to an outright debt reduction. Some of the parties might argue that a reprofiling would serve the purpose of buying some time for the new Venezuelan government, particularly as an assessment of Venezuela’s economy is carried out, and that such a reprofiling would also allow the relevant stakeholders to see how quickly the Venezuelan economy is able to recover. Even with a reprofiling of a debt for a period of a few years, it may ultimately become necessary for the parties to consider a debt restructuring involving debt reduction depending on any debt sustainability analysis that is ultimately conducted.

LEC Abogados

LEC Abogados is a Law firm oriented to assist local and international clients in connection with their legal needs to implement and conduct businesses in Venezuela. Our aim is to provide international quality legal advice whilst understanding local realities.

Founded in August 2006, LEC Abogados results from the association of seven former partners of the most prestigious law firms in Venezuela, putting together a group of lawyers with a high recognition in their respective areas of expertise.

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CORPORATE FINANCE TEAM



Juan Carlos Andrade

📞 +58 414 2832667
☎ +58 212 7500080
✉ jcandrade@lec.com.ve



Rodolfo Belloso

📞 +58 414 2404863
☎ +58 212 7500080
✉ rbelloso@lec.com.ve



Leopoldo Cadenas

📞 +58 414 3333536
☎ +58 212 7500080
✉ lcadenas@lec.com.ve



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