Please find therein a memorandum aimed to provide you with an updated report on the progress of the amendment to the Bankruptcy Law No. 24,522 (the “Emergency Law”), enacted yesterday. The Emergency Law is still subject to its promulgation by the National Executive Power, which is entitled to veto its terms.

Looking forward to providing you with a better understanding of the scope of the Emergency Law, we have structured this memorandum in two sections: Section I deals with the situation of the debtors facing or currently under a reorganization proceeding. Section II deals with the situation of general debtors of the private sector.

The Emergency Law declares a productive and credit emergency up to December 10, 2003; therefore, the amendments to the laws mentioned in the Bill shall be effective up to that period.

I. Situation of debtors facing or currently under a reorganization proceeding

The most important provisions of the Emergency Law are summarized below:

- **Extension of the Exclusivity Period**: Bankruptcy Law establishes a term that ranges from 30 to 60 judicial business days (the “Exclusivity Period”) during which the debtor has the ability to propose a reorganization plan to its creditors. Under the Bill the term of the Exclusivity Period of all reorganization proceedings already initiated would be extended for a period of not less than 180 judicial business days as of its original deadline.

- **Suspension of Foreclosures on Mortgages and Pledges**: The Bill establishes, within the reorganization proceeding, the suspension for a period of 180 judicial business days of foreclosures on mortgages and pledges against debtors.

- **Extension of the terms established for compliance with debtor’s obligations**: The term to comply with the provisions of reorganization plans successfully approved in reorganization proceedings would be extended for a 1 year term as of the date in which the duties arising there under become due.

- **Suspension of new bankruptcy petitions**: Bankruptcy petitions would be suspended for a 180 judicial business day-term, provided however that injunctive relief measures would be validly requested.

- **Elimination of Restrictions on the financing to companies**: The Central Bank would eliminate the restrictions avoiding or resulting in obstacles for companies (or persons) that filed for reorganization in their access to credit. Furthermore, the Central Bank would offer a discount line for those financial entities granting credits...
to companies within the Exclusivity Period.

- Financial obligations guarantees allowing the change of control of companies that files for reorganization (or their subsidiaries) would be suspended until December 10, 2003.

- **Elimination of the “Cram-down” Proceeding**: The “cram-down” proceeding would be eliminated until December 10, 2003. Therefore, creditors and third parties may not to propose a new reorganization plan to acquire the capital stock of debtor, in case the debtor fails to obtain the approval of his own reorganization plan.

- **Elimination of limits to the reorganization plans**: There would be no limitations to the debt discharges proposed by the debtor. The restriction, where the debtor’s reorganization plan shall not exceed 40% of the unsecured debt; will be eliminated.

- **Effects with respect to guarantors**: Approved reorganization plans would still produce the novation of the credits. The guarantors, however, would remain as such exclusively in connection with the terms of the new credit arising from such novation.

- **Court fees for the reorganization proceeding will be reduced**: The court fees will be 0.75% of the amount of the verified credits. Reduced fees of 0.25% would be applied to amounts exceeding $100,000,000. This fee would be payable in 10 installments.

**II. Situation of the debtors of the private sector.**

The most important provisions of the Emergency Law are summarized below:

- Financial entitles would be granted with a 90-day term in order to renegotiate the terms of their credits. The renegotiation of these credits would have to be made taking into account the new Argentine exchange regime and the cash flow of each debtor. Failure to reach an agreement with the debtors would result in the financial entities’ duty to include all such credits as liabilities in their balances.

- All judicial and extra judicial enforcements, including mortgage and pledge foreclosures of any origin, would be suspended for a 180 judicial business day-term, except for credits of an alimony or labor nature, credits arising from criminal liability, credits that do not involve the home of the debtor or any other good affected to the production of goods, commerce or rendering of services, credits derived from civil liability and against insurance companies, credits from obligations originated after the enactment of the Emergency Law and those credits arising from a bankruptcy judgment that has already come into force.

- Injunctive relief measures that are in effect would be suspended for a 180 judicial business day-term. New injunctive measures would not be admitted over assets that are essential for the continuity of the usual commercial activities of the debtor. Notwithstanding, debtor’s acts disposing of its property would be void unless with the prior consent of its creditors.

- Enforcements and injunctive relief measures arising from unpaid taxes would also be suspended for a 180 judicial business day-term.

- Loans taken in dollars with financial entities, physical persons and other legal entities would be switched into pesos at a $1 to U$S 1 exchange rate according to the following figures: **Loans outside the financial system**: a) Loans for the purchase of dwellings up to U$S 100,000 b) the construction, refurbishing and/or enlargement of a dwelling up to U$S 100,000 c) debts incurred by individuals in their capacity as members of Cooperatives.
or Mutual Associations up to U$S 100,000. *Loans inside the financial system:* a) Loans for the purchase of dwellings: up to U$S 100,000 b) the construction, refurbishing and/or enlargement of a dwelling: up to U$S 30,000 c) pledges loans for the purchase of vehicles: up to U$S 15,000 d) personal: up to U$S 10,000 e) micro, small and med-sized company loans: up to U$S 100,000 f) debts incurred by individuals in their capacity as members of Cooperatives or Mutual Associations.

Should you have any inquiries on the above or would like to receive the complete text of the Emergency Law please do not hesitate to contact us at any of the offices listed in the letter head or at alfaro@alfarolaw.com