

1. The topic of enhancement of debt in financial restructurings will be addressed in particular in view of the background of the ORPEA case, a large financial restructuring currently in progress in France.
2. ORPEA SA is the holding company of a group which operates nursing homes, care clinics, psychiatric clinics and serviced senior residences in many European countries. ORPEA SA is listed on Euronext Paris. ORPEA, whose consolidated outstanding debt exceeded EUR 9 billion, faced reputational, governance and financial difficulties after the publication of the investigative book "Les Fossoyeurs" in January 2022, which accused it of mistreatment of residents, accounting fraud and questionable human resources practices.
3. In April 2022, ORPEA obtained from the commercial court the opening of conciliation proceedings, a purely consensual and totally confidential work out proceedings conducted under the aegis of a court appointed conciliator, to negotiate the restructuring of its debt with financial creditors. Negotiations were carried out with a group of selected banking partners belonging to French banking groups, known as the "G6 Banks", and were concluded in June 2022 by a restructuring protocol whereby those banks agreed to provide to ORPEA secured new money facilities: Facilities for EUR 1.7 bn to finance the general corporate purpose of the ORPEA group, and optional facilities for EUR 1.5 to roll-up existing unsecured debt, excluding bonds and Schuldschein debt, held by the G6 Banks primarily and potentially other banks to be selected. All such debt has been drawn in 2022. The protocol also provided for an asset sales program.
4. The protocol was approved in June 2022 by the Commercial court, which gave the EUR 1.7 bn facilities statutory priority of payment lien.
5. Four months later, in October 2022, ORPEA raised that it went through new difficulties as a result of a highly inflationary economic environment and the Ukrainian war, that caused it to stop its assets sales program, to depreciate its property assets and would cause certain covenants not to be respected by the end of 2022.
6. The Commercial court opened a second conciliation proceedings, entrusted to the same conciliator, to allow the company to achieve a sustainable financial structure. ORPEA invited all its creditors in the second conciliation and announced that it had decided to impose capitalization of all of its unsecured financial debt, i.e., EUR 3.8 bn ORPEA and that it expected that the plan would be negotiated with key creditors and equity providers and would then be approved in the framework of accelerated safeguard proceedings.
7. Accelerated safeguard is a debtor led work-out proceedings implementing the EU 2019/1023 directive on Restructuring and Insolvency of 20 June 2019. It is available only after a conciliation proceeding and may be opened by court when there has not been unanimity but enough support to approve the conciliation plan proposed by the company. The plan is submitted to approval by classes of affected parties at 2/3 majority in each class, and failing such approval, can be ordered by the court through a cross-class cram-down mechanism, provided certain tests are met.
8. The plan that has been finalized in May 2023 provides for the full equitization of all of ORPEA's unsecured debt at a conversion rate of circ. 30%, the injection of EUR 1.55bn new money equity by a consortium of funds led by state owned Caisse des Dépôts, the provision of additional new money debt by the G6 Banks and the extension of maturities and interest rate reduction of the facilities granted by those banks in the framework of the first conciliation.

9. The enhancement of the unsecured debt in the first conciliation, creates a divide between the up-tiered banks benefitting from security interests, who have a 100% recovery expectation, and the unsecured creditors participating in the second conciliation, who have a circ. 30 % recovery expectation of their debt on the plan completion date.