C O D E X N E G O T I A T I O N R E C O R D

Braskem S.A. Restructuring

Four stakeholder positions - three-stage bargaining reconstruction - neutral mediation

Public-information cutoff 16 August 2026

Petrobras - Braskem management - IG4 / Shine I - Financial creditors

Analytical reconstruction from public filings and the saved role memories. Stakeholder positions are role-played advocacy, not statements by the parties. Probabilities are judgments, not measurements. Not investment advice.

Contents

Interpretive note

This document records the Codex clearing case preserved in the workspace memories. It does not reproduce Claude's separate 91-page simulation. Where the earlier run did not assign a numeric probability, this report supplies a clearly labeled judgmental scenario overlay for comparability. It does not invent agent IDs, token counts or verbatim transcripts.

Braskem restructuring - Codex mediator determination

The conclusion that drives the case

Strong PE-naphtha spreads can improve cash generation after the initial working-capital reset, but they do not cure the maturity wall. Q2 recurring EBITDA was US$1.043B, while working capital consumed US$547M because prices and inventory rose as payment arrangements tightened. The first two effects should not repeat if naphtha and inventory stabilize. LC runoff and lost supplier finance remain structural.

Post-run correction

A targeted Braskem, creditor and neutral-mediator review on 16 August corrected the cash-conversion premise. It also corrected the June plan's H2 operational working-capital release to US$518M, not US$548M, after visual verification showed July at US$57M rather than the OCR reading of US$87M. The base deal structure is unchanged.

Most likely negotiated package - judgmental probability 40%

Item	Most likely negotiated terms
Near / intermediate maturities	Extend 5 years; do not automatically extend very long-dated debt
Relief period	2 years at about 4% cash plus about 4% PIK
Coupon afterward	Existing coupon plus 200bp
Working capital / LC	About US$1.1B total committed capacity
Petrobras	About US$550M, primarily commercially defensible WC / deeply subordinated support
IG4 / Shine I	About US$275M contribution or backstop
Creditors	About US$275M new money / LC support
Creditor upside	15% fully diluted warrants; step to 22.5% if cash conversion, liquidity or PIK milestones fail
Legacy equity	85% fully diluted initially; 77.5% if warrant step-up is triggered
Principal haircut	0% initially
Cash sweep	50% of excess cash above US$1.0B minimum liquidity; 75% asset-sale sweep
Mexico	Ring-fenced; no new parent guarantee; separate consensual process or Chapter 11
Alagoas	Safety and remediation obligations protected and outside the financial compromise
Control	Petrobras and Shine retain joint control in the base case

Why every party can accept

Creditors

No initial haircut, positive-NPV coupon protection, new-money priority, monthly working-capital reporting, cash sweeps and 15%-22.5% contingent upside can beat a delayed and operationally damaging RJ recovery.

Petrobras

A capped facility protects feedstock demand, industrial continuity and joint control without an open-ended guarantee or Petrobras-only rescue.

IG4 / Shine I

A smaller stake in a financeable Braskem can be worth more than a larger stake in a defaulting company; warrants are less destructive than immediate creditor control.

Braskem

The package restores trade-finance capacity and reduces near-term cash interest while avoiding an immediate principal conversion at a trough valuation.

Strongest argument against the base case

At US$1.5B normalized EBITDA, net leverage remains above 6x before PIK accretion. If Q2 spreads do not convert into cash, a five-year extension may merely postpone a larger equitization. The second major risk is execution: creditor consent, sponsor approvals and durable LC commitments must arrive before liquidity and the enforcement standstill deteriorate.

Outcome set and dilution

Case	Judgmental probability	Terms	Legacy equity outcome
A. Base consensual	40%	US$1.1B WC/LC; 2-year relief; 15% warrants	85% FD; joint control retained
B. Equity-favorable	17%	Spreads persist and cash converts; US$0.8-1.0B support; 10-12.5% warrants	87.5-90% FD
C. Creditor-favorable	15%	Larger permanent sponsor capital; 25-35% creditor equity / warrants; tighter liens	65-75% FD; control at risk
D. Failure / RJ	28%	No consensual extension; enforcement or judicial restructuring	Potentially 0-10%; highly path-dependent

Warrant dilution in the base case

Holder	Current total capital	At 15% warrants	At 22.5% step-up
Shine I / IG4	34.32%	29.17%	26.60%
Petrobras	36.15%	30.73%	28.02%
Other shareholders	29.53%	25.10%	22.89%
Creditors	0%	15.00%	22.50%

These figures isolate warrant dilution only and assume the warrants dilute every legacy holder proportionally. They do not assume a separate rights offering. A later rights issuance would require a second, transaction-specific ownership table.

Serviceability and leverage sensitivity

The starting point is US$9.5B of adjusted net debt. The table below is deliberately conservative: it treats the US$1.1B facility as liquidity financing rather than automatic debt reduction. A loss-absorbing sponsor-equity component would improve the ratios; PIK accretion and cash burn would worsen them.

Annualized EBITDA at end-2028	US$1.5B	US$2.0B	US$2.5B	US$3.0B	US$4.0B
Net debt / EBITDA at US$9.5B	6.33x	4.75x	3.80x	3.17x	2.38x
After about US$0.76B PIK, before FCF	6.84x	5.13x	4.10x	3.42x	2.57x
If US$0.825B sponsor capital reduces net debt	5.78x	4.34x	3.47x	2.89x	2.17x
End-2028 BAK option midpoint	US$2.24	US$5.34	US$9.36	US$13.94	US$23.92
BAK model range	US$1.09-3.65	US$3.32-7.52	US$6.62-12.18	US$10.60-17.33	US$19.53-28.34

Interpretation

Each EBITDA case is an annualized run rate at end-2028, not cumulative EBITDA over two years. The base structure is comfortable only if EBITDA remains above roughly US$2.0-2.5B and cash conversion improves. At US$1.5B, the contingent warrant step-up, additional equitization or another deleveraging mechanism becomes load-bearing. A simple residual calculation would incorrectly show zero equity whenever enterprise value is below debt. The end-2028 BAK estimate instead treats equity as a call option. Its midpoint uses 5.0x EV/EBITDA, US$10.26B net debt after modeled PIK, three years to extended maturity, 30% asset volatility, a 4.5% risk-free rate, two shares per ADR, equal economics across share classes and 15% warrant dilution. The range varies the multiple from 4.5x to 5.5x and volatility from 25% to 35%. It excludes intervening free cash flow, further cash burn and the 22.5% step-up and is scenario analysis, not a price target.

BAK / BRKM5 treatment - corrected conclusion

Base case: no mandatory cash call

BAK is an ADS wrapper over Class A preferred shares, with one ADS representing two PNA shares. In the Codex base case, creditor consideration is warrants and the US$1.1B package is supplied by Petrobras, IG4 and creditors. Existing BAK holders are not required to contribute cash. They are diluted by the warrants in the same economic proportion as direct BRKM5 holders.

Question	Base-case answer
Must a BAK holder contribute cash?	No
Does converting BAK to BRKM5 avoid creditor-warrant dilution?	No
Legacy ownership retained at 15% warrants	85% of the holder's former percentage
Legacy ownership retained at 22.5% warrants	77.5% of the holder's former percentage
When might the ADR wrapper matter?	Only if a later cash rights offering preserves BRKM5 preemption but cannot lawfully or practically include ADS holders

A conversion decision should wait for actual capital-increase terms. Braskem's deposit agreement permits the depositary, depending on legality and practicality, to facilitate exercise, deliver rights, sell them and distribute proceeds, or allow them to lapse. Braskem's bylaws can also exclude preemptive rights in specified public offerings. Therefore neither forced exclusion nor direct participation should be assumed before a filed notice.

Part II - Negotiation reconstruction

Method

Four saved stakeholder memories define independent incentives, opening positions, movement and red lines. This section reconstructs three bargaining stages from those records. It is an analytical negotiation trace, not a verbatim chat transcript.

Issue	Petrobras	Management	IG4	Creditors
Extension	4+ years before funding	5 years all maturities	5 years	5 years near / mid only
Relief	12m, 50% PIK	100% PIK to Dec-28	PIK to Dec-28	4% cash + residual PIK, <=2y
Sponsor funding	US$400M WC	Requests US$0.75-1.0B+	US$200M junior	US$1.0-1.5B permanent
Creditor equity	5-7.5% warrants	0% opening	10% + 5% contingent	30-40% unless sponsor funding rises
Collateral	WC pool only	No fixed assets	Limited WC / non-core	New-money first lien; legacy second lien

Opening-position convergence

All four sides can support a long maturity extension, Mexico ring-fencing and an operating-liquidity facility. The real gaps are who supplies loss-absorbing capital, whether sponsor funding is repayable, the size of creditor warrants and how much legacy debt receives collateral.

Round 2 - concessions and counters

Party	Movement	Remaining condition
Petrobras	Moves toward US$500M WC and accepts 10% warrants	Durable creditor extension before funding; no blanket guarantee
Management	Accepts 18 months at 4% cash / 4% PIK, limited WC collateral and 15% warrants	No diversion of WC to legacy principal; no uncontrolled creditor takeover
IG4	Moves to US$250M and accepts 15-20% warrants	Comparable Petrobras support; control retained; fair minority treatment
Creditors	Drops immediate control demand if sponsor money reaches US$1.0-1.2B and terms turn positive-NPV	Sponsor money deeply subordinated or permanent; cash controls and new-money liens

Mediator observation

The economic trade is straightforward: creditors reduce their immediate equity demand as sponsor and creditor liquidity rises; sponsors accept contingent rather than immediate dilution; management grants cash controls and working-capital collateral. The remaining disagreement is priced through warrant step-ups rather than resolved through a single spread forecast.

Round 3 - narrowest stable bargaining range

Term	Clearing range	Mediator selection
Extension	4-5 years near / intermediate	5 years
Relief	18-24 months	24 months
Relief-period interest	4% cash plus 3-4% PIK	4% cash plus about 4% PIK
Post-relief coupon	Existing +150-200bp	Existing +200bp
Total WC / LC	US$1.0-1.2B	US$1.1B
Petrobras	US$500-600M	US$550M
IG4	US$250-300M	US$275M
Creditors	US$200-300M	US$275M
Initial warrants	12.5-17.5%	15%
Contingent warrants	20-25%	22.5%
Minimum liquidity	US$0.75-1.25B	US$1.0B

Stability test

The package is stable only if sponsor support is genuinely junior and cannot be repaid while legacy debt is impaired. If it is ordinary shareholder debt, creditors rationally demand at least 20-25% warrants. If normalized EBITDA is US$1.5B and no additional deleveraging occurs, creditors rationally prefer equitization or RJ.

Part III - Stakeholder position records

The following records reproduce the saved Codex role memories in report form. They are concise role mandates, not public statements by the named parties. The working-capital correction appears first and supersedes conflicting statements in the original records.

Working-capital correction

Prepared 16 August 2026 after a targeted Braskem, creditor and neutral-mediator review. This file supersedes conflicting working-capital statements in the original role outputs.

Correct interpretation

- Q2 working capital consumed US$547M. Braskem attributed this to higher feedstock and product prices, higher inventory volumes, and reduced bank and supplier payment arrangements.

- The price and inventory components are mainly a balance-sheet level reset. If naphtha prices and inventory volumes stabilize, they should not create another US$547M quarterly outflow. The cash stays tied up until balances reverse, but the build itself does not recur without another increase.

- Stable PE-naphtha spreads do not require higher absolute prices. Resin and naphtha prices can both fall while the spread remains strong.

- LC runoff, lost reverse factoring, shorter supplier terms and reimbursement obligations are more persistent financing constraints. They must be modeled separately from operational working capital.

- Q2's 20% cash conversion is historical, not a run rate. Holding the other bridge items constant, recurring cash would have been approximately US$757M without the US$547M working-capital build. This is a sensitivity, not reported cash.

- Visual inspection of the June plan shows July operational working capital of US$57M, not the OCR reading of US$87M. The H2 operational release is therefore US$518M: 57 + 128 + 38 + 112 - 2 + 185.

Modeling instruction

Use flat operational working capital as the central persistent-spread case and management's US$518M H2 release as upside. Do not repeat the Q2 outflow mechanically and do not require a full reversal before allowing improved cash conversion. Continue to model US$860M of H2 financial-working-capital runoff and roughly US$1.242B of amortizations separately.

The base negotiated structure remains broadly unchanged: five-year near/intermediate maturity extension, US$1.0B to US$1.2B of LC and working-capital support, two years of interest relief, no initial principal haircut, minimum liquidity and **15% creditor warrants stepping to 22.5%**. The lower upfront grant reflects better expected operating conversion after the reset. Creditors receive the step-up, monthly working-capital reporting and cash sweeps if that conversion does not appear. Sponsor support is justified by the need to replace structural trade finance and protect execution liquidity, not by an assumed recurring US$547M operating burn.

Targeted mediator refresh

Outcome	Revised probability
Main consensual base case	40%
Equity-favorable consensual	17%
Creditor-favorable consensual	15%
Failure or judicial reorganization	28%

These are inference, not observed probabilities. A complete four-role rerun was not necessary because the correction changes the cash-conversion framing more than the maturity wall or bargaining structure.

Petrobras position record

You represent Petrobras. Maximize Petrobras shareholder value while preserving Braskem's strategic importance and avoiding uncontrolled exposure.

Verified position

- Petrobras owns **47.03% of voting and 36.15% of total Braskem capital** and jointly controls Braskem with Shine I.
- The shareholder agreement uses consensus governance and equal shareholder representation. Petrobras continues to account for Braskem as a joint venture under the equity method.
- Petrobras management has said it does not intend to "statize" Braskem or consolidate its debt and prefers to remain near its current voting percentage.
- Petrobras publicly discussed working capital so Braskem could monetize elevated spreads. This supports a self-liquidating WC facility, not an unconditional rescue.
- Petrobras and Braskem have large long-term, arm's-length feedstock/supply relationships. Braskem's operational continuity therefore has strategic and commercial value to Petrobras.

Sources:

- Ownership: https://www.braskem-ri.com.br/a-companhia/estrutura-societaria/
- Petrobras Q2 statements: https://www.sec.gov/Archives/edgar/data/1119639/000129281426004133/pbrfs2q26usd_6k.htm
- Petrobras Q1 call transcript: https://api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa-17d60b2de47d/db2c51df-7d19-4547-894a-f33a95055e0d?origin=2
- Supply contracts: https://agencia.petrobras.com.br/w/petrobras-informa-sobre-novos-contratos-comerciais-com-a-braskem

Incentives and constraints

- Preserve joint control and Brazilian strategic influence.
- Avoid Petrobras exceeding 50% voting or otherwise triggering full consolidation.
- Any support must withstand state-controlled-company governance, related-party review, independent valuation and shareholder-value scrutiny.
- Do not provide uncapped guarantees, particularly for Alagoas or Braskem Idesa.
- Do not fund before creditors grant a durable extension; otherwise Petrobras money simply pays legacy creditors.
- Strong PE-naphtha spreads make WC financing more attractive because it can finance profitable inventory and sales. Demand evidence of cash conversion, not only EBITDA.

Political-economy overlay

- The negotiation is occurring during the active campaign for Brazil's October 4 election. Petrobras faces pressure to preserve jobs, domestic petrochemical capacity, feedstock demand and Brazilian influence, but an overt rescue of IG4/legacy equity is vulnerable to bailout criticism.

- Lula has publicly said Petrobras should consider Brazil's priorities, while acknowledging the government does not command the company. Treat this as political orientation, not authorization or a guarantee.

- Law 13,303 requires governance, transparency and defensible related-party economics. Require independent approvals, capped exposure, market-based pricing and documented commercial benefits.

- The politically defensible structure is a borrowing-base WC facility and, at most, a deeply subordinated hybrid after IG4 and creditors contribute. Reject an uncapped guarantee, Petrobras-only common-equity rescue or any claim that political value substitutes for repayment capacity.

- A disruptive RJ or sudden creditor takeover has political and industrial costs, which improves the consensual option's value. It does not justify paying legacy creditors at par without concessions.

- See `brazil-political-context.md` for sources and shared assumptions.

Financing preference ranking

1. Borrowing-base WC facility secured only by financed inventory/receivables.

2. Deeply subordinated shareholder loan.

3. Non-voting preferred/hybrid.

4. Pro-rata rights equity.

5. Creditor debt-for-equity.

A broad Petrobras guarantee is worse than all five.

Opening proposal

- Petrobras: **US$400M** two-to-three-year WC revolver at approximately SOFR +400-450bp.

- Collateral only on financed inventory, receivables and proceeds.

- At least four years of extension for near maturities before first draw.

- 50% PIK for 12 months; existing coupon thereafter.

- Legacy debt stays unsecured; creditors receive 5-7.5% warrants.

- Mexico ring-fenced with no new Petrobras guarantee.

Negotiating movement

- Round 2: increase to **US$500M** WC; accept +100bp coupon and 10% warrants.

- Final/stretch: approximately **US$550-650M total**, combining US$450-500M WC and US$100-150M deeply subordinated hybrid or pro-rata rights participation.

- Maximum modeled exposure: **US$750M**, conditional on creditor and IG4 burden-sharing.

- Can stretch to **15% creditor warrants**, with a step to 22.5% if cash conversion, liquidity or PIK milestones fail, if there is no immediate debt conversion or creditor control.

Red lines

- Petrobras-only rescue.
- Blanket liens over core Brazilian plants for legacy unsecured debt.
- Funds used immediately for legacy principal, dividends or related-party leakage.
- New parent guarantees or cross-collateralization for Mexico.
- Convertible DIP mechanics that hand creditors control after a technical default.
- A structure likely to consolidate Braskem into Petrobras.

Preferred final package

Five-year extension for near/intermediate maturities; two-year partial PIK; existing coupon +150-200bp afterward; approximately US$550M Petrobras funding; 15% creditor warrants stepping to 22.5% on performance misses; no initial principal haircut; joint control retained.

Strongest argument against Petrobras

If normalized EBITDA is only US$1.5B, a capped WC rescue may merely postpone insolvency. In that case, meaningful debt conversion can create more value than preserving Petrobras's ownership percentage.

Braskem management / board position record

You represent Braskem S.A. management and its board. Preserve the operating company, liquidity and enterprise value; do not act solely to protect IG4 or Petrobras control.

Verified operating and financial position

- Q2 recurring EBITDA: **US$1.043B**, including US$869M Brazil/South America, US$147M US/Europe and US$57M Mexico.
- Brazil utilization: **70%**.
- Working capital consumed **US$547M** in Q2; operating cash generation was US$385M and recurring cash generation about US$210M.
- Corporate gross debt: **US$10.3B**; adjusted net debt: **US$9.5B**; leverage: **6.74x** at June 30.
- July nonpayments produced defaults under certain financial instruments.
- The June status-quo plan showed negative liquidity absent restructuring and large 2026-28 debt service.
- The court stay is temporary and applies only to invited mediation creditors.

Sources:

- June materials: https://www.sec.gov/Archives/edgar/data/1071438/000129281426003592/bak20260625_6k1.htm
- Q2 release: https://www.sec.gov/Archives/edgar/data/1071438/000129281426004248/bakpr2q26_6k.htm
- Q2 presentation: https://www.sec.gov/Archives/edgar/data/1071438/000129281426004258/bak20260814_6k.htm
- Q2 ITR: https://www.sec.gov/Archives/edgar/data/1071438/000129281426004244/bakitr2q26_6k.htm

Spread correction

The Q2 presentation was filed August 14 but updated as of June 30. Do not present its forecasted decline as observed August fact. Public July Americas PE data and the user's mid-August observation support a persistent-spread case.

Use two cases:

- Persistent spreads: 2026 EBITDA **US$2.7-3.3B**, potentially with meaningful H2 cash generation if working capital reverses.
- Normalization: 2027-28 EBITDA around the June plan's **US$1.5B**.

Strong spreads improve bargaining leverage but do not erase default or the refinancing wall.

Board logic

- Maturity extension is economically rational because forced RJ can damage LCs, feedstock access, customer confidence and working-capital availability.
- Immediate heavy equitization can transfer upside at an artificially low valuation.
- However, the board cannot reject a superior creditor proposal solely to preserve sponsor control, particularly with negative equity and going-concern uncertainty.

- New working capital can create EBITDA and cash; it should not be diverted to old principal or unrestricted Mexico support.

- Alagoas safety and settlements remain operational priorities and outside the financial compromise.

Political-economy overlay

- Election-year concern about jobs, domestic resin supply and strategic industrial capacity supports a going-concern solution and increases the execution cost of a disruptive RJ.

- REIQ/PRESIQ and trade-defense policy are valuation tailwinds, but management must not present them as permanent subsidies or proof that the state will protect existing equity.

- Management should frame Petrobras support as arm's-length financing for profitable operations, conditional on creditor and IG4 burden-sharing-not as a government rescue.

- Alagoas makes a "national champion" appeal politically fragile. Every proposal must protect safety/remediation budgets, prohibit leakage and avoid placing distributions to creditors or shareholders ahead of affected communities.

- Political friction around creditor control is relevant to execution value but cannot excuse rejection of a demonstrably superior restructuring proposal.

- See `brazil-political-context.md` for sources and shared assumptions.

Historical opening

- Five years added to all maturities.

- 100% PIK toggle through December 2028.

- 200bp coupon reduction.

- No principal haircut/equitization or fixed-asset collateral.

- US$1.5B unsecured LC facility, mostly rolled existing claims.

This opening was not a clearing proposal because it imposed negative NPV on creditors with no shareholder burden-sharing.

Credible negotiation progression

- Round 2: four-to-five-year extension for near maturities; 18 months of 4% cash/4% PIK; existing coupon afterward; limited WC collateral; US$750M-1B of committed support; 15% warrants.

- Final: approximately **US$1.0-1.2B** WC/LC support, two years partial PIK, existing coupon +150-200bp, **15% fully diluted warrants**, and no initial principal haircut.

- Warrants may step to 22.5% if EBITDA falls below US$2B, liquidity falls below US$750M-1B, or PIK continues beyond two years.

Acceptable collateral and covenants

- First lien for new money on eligible inventory, receivables and controlled proceeds.

- At most a limited second lien for legacy debt on those pools and selected non-core shares.

- Minimum liquidity US$1.0B.

- No dividends/buybacks until net leverage is below 3.0x.
- 50% excess-cash sweep above minimum liquidity and 75% asset-sale sweep.
- Capex, additional debt, liens, acquisitions and related-party transfers restricted without preventing ordinary feedstock/inventory optimization.

Mexico and Alagoas

- Ring-fence Braskem Idesa and pursue a separate consensual process or Chapter 11.
- No new parent guarantees and strict limits on further parent cash leakage.
- Keep Alagoas provisions, remediation reserves and safety payments unimpaired.

Maximum dilution / RJ threshold

- Target: 15% creditor warrants, stepping to 22.5% only if agreed performance milestones fail.
- Stretch: approximately 25% if there is substantial new liquidity and no principal conversion.
- More than 35% creditor ownership or blanket liens over substantially all core Brazilian assets should require real principal cancellation; otherwise RJ may dominate the proposed RE.

Strongest argument against management

At US$1.5B normalized EBITDA, even a five-year extension leaves leverage above 6x before PIK accretion. Creditors may rationally demand permanent equity or debt conversion rather than rely on volatile spreads.

IG4 Capital / Shine I position record

You represent IG4's economic and governance position through Shine I FIP. Preserve turnaround value and joint control while recognizing that IG4 does not control creditor votes.

Verified ownership and transaction context

- Shine I owns **226.335M common shares and 47.294M PNA shares**, equal to **50.1108% voting and 34.3234% total capital**.
- The stake was acquired through a distressed-credit/share-exchange structure involving NSP/Novonor claims, not a conventional full-cash acquisition at historical equity value.
- Petrobras owns 47.03% voting and 36.15% total. The parties jointly control Braskem through consensus governance.
- Shine/IG4 nominates important management and transformation roles; Petrobras has major operational/governance nominations.
- IG4's disclosed equity-fund AUM is around US$1B. Do not assume that amount is uncalled capital available for Braskem.

Sources:

- Ownership: https://www.braskem-ri.com.br/en/the-company/ownership-structure/
- Acquisition filing: https://www.sec.gov/Archives/edgar/data/1071438/000129281426002421/bak20260420_6k.htm
- Shareholder agreement: https://api.mziq.com/mzfilemanager/v2/d/540b55c5-af99-45f7-a772-92665eb948e9/a8bf07ea-3790-977c-a858-72be517259d8?origin=2
- IG4: https://ig4capital.com/

Economic thesis

- IG4 entered because the distressed structure provided convex upside if Braskem's cycle and balance sheet recover.
- A smaller percentage of a solvent Braskem can be worth more than 34.3% of an insolvent one.
- IG4 nevertheless loses much of its acquisition rationale if creditors capture 70-90% of equity and management/control.
- Capital capacity is a real constraint: large contributions may require co-investors, creditor-bank investors or recycled/raised fund capital.
- Persistent PE-naphtha spreads strengthen the argument for contingent warrants rather than immediate equitization.

Political-economy overlay

- IG4 can position itself as the private turnaround partner that preserves Brazilian joint control without forcing Petrobras to nationalize Braskem. That gives the government political cover only if IG4 contributes real junior risk capital.
- The weakest political outcome for IG4 is public-company money protecting a distressed sponsor option. Expect Petrobras and creditors to demand visible IG4 burden-sharing and warrant dilution.

- A foreign-led creditor takeover may face labor, political, regulatory and reputational friction, increasing the value of retained joint control. Treat this as an execution-cost argument, not a legal veto.

- Federal chemical-industry policy can raise going-concern value, but IG4 should not demand full value for policy benefits that are temporary, reversible or not legally committed.

- Alagoas obligations must remain protected; any attempt to upstream value before remediation would undermine political support for the deal.

- See `brazil-political-context.md` for sources and shared assumptions.

Opening proposal

- Five-year maturity extension; no principal haircut.

- PIK through December 2028; existing coupon afterward.

- US$200M IG4 junior shareholder/hybrid facility.

- Petrobras provides at least US$300-400M WC.

- Creditors roll LCs and provide approximately US$200M incremental capacity.

- Creditor warrants: 10% initially, potentially another 5% if performance targets are missed.

- No blanket liens over core Brazilian assets.

Negotiating progression

- Round 2: IG4 increases to **US$250M**, accepts 15-20% warrants and limited non-core/WC collateral.

- Final realistic contribution: **US$250-350M**, potentially structured as a junior convertible or rights-offering backstop.

- Accept approximately **15% creditor warrants**, stepping to 22.5% if cash conversion, EBITDA, liquidity or PIK milestones fail.

- Accept a pro-rata rights offering if needed, but insist that BRKM3/5/6 and BAK holders receive economically fair participation where legally and operationally practical.

Control and dilution

- Target old shareholders retaining 80-85% fully diluted.

- IG4 can accept 20-30% dilution if enterprise value is repaired and joint control remains.

- Economic control floor: Shine approximately 35% of voting capital and the Petrobras/Shine group above 60%, though the shareholder agreement's legal mechanics are more nuanced.

- A creditor-control structure is acceptable only if debt cancellation is large enough-roughly US$2.5-3B or more-to compensate the lost upside/control.

Preferred security sequence

1. Sponsor/creditor WC bridge.

2. Signed maturity and PIK agreement.

3. Junior bridge converts into a pro-rata rights offering if permanent capital is required.

4. Creditor warrants provide contingent upside rather than immediate takeover.

Minority treatment

- Preserve PNA economic preferences.

- Use parallel-class or economically equivalent rights for common and preferred holders.

- BRKM5 holders should be able to subscribe or sell transferable rights.

- BAK ADS holders need a depositary/registration mechanism; if direct subscription is impossible, rights should be sold for their benefit where feasible.

- Non-subscribing holders are diluted; distinguish this from dilution suffered by holders who contribute fresh cash pro rata.

Red lines

- IG4/Shine cash above roughly US$350M without comparable Petrobras support.

- Controllers below 50% without several billion dollars of debt cancellation.

- Shine below roughly 35% voting or loss of agreed governance.

- Automatic DIP conversion after technical default.

- Blanket liens on all core assets.

- Creditor equity above 35% without substantial principal cancellation.

- Unequal treatment or trough-price issuance solely to controllers.

Strongest argument against IG4

IG4 acquired control through a distressed-credit structure and may have limited cash invested relative to the enterprise. Creditors can argue that protecting IG4's option value is not a legitimate reason for creditors to accept below-market returns.

Financial creditors / steering committee position record

Be deliberately hostile and skeptical. Maximize risk-adjusted recovery; do not converge merely because Q2 was strong.

Creditor thesis

Braskem's original proposal asked creditors to finance shareholders' recovery option: five-year extensions, 100% PIK through 2028, a 200bp coupon reduction, no collateral, no shareholder funding and no equity compensation. Reject it.

Q2's US$1.043B EBITDA improves negotiating value but does not itself repair a US$9.5B net-debt structure. Working capital absorbed US$547M and debt defaults began in July. Persistent July/August spreads matter only if they produce durable cash, not merely higher inventory and receivables.

Political-economy overlay

- The October election raises the government's incentive to avoid layoffs, supply disruption and loss of Brazilian influence, but it also makes an overt Petrobras bailout politically costly. Use this window to demand a shared, commercially defensible package-not a political promise.

- Law 13,303 limits Petrobras's ability to make an uneconomic related-party rescue. Credit only signed, approved and funded commitments; assign no recovery value to informal government support.

- REIQ/PRESIQ and trade-defense policy strengthen going-concern value and may support lower immediate equitization if cash conversion is demonstrated. Haircut temporary or reversible benefits in valuation.

- RJ or a foreign-led creditor takeover could carry political, labor and regulatory execution costs. Include those costs in the alternative-to-consensus analysis, but do not let "national interest" become a free option for legacy equity.

- Insist that Alagoas safety/remediation budgets are transparent and protected. Do not rely on cash needed for victims or environmental obligations as available debt-service liquidity.

- See `brazil-political-context.md` for sources and shared assumptions.

Recovery framework

Use a central going-concern EV multiple of roughly **5.0x normalized EBITDA**, with 4-6x sensitivity. Reserve approximately US$1B ahead of existing unsecured claims for DIP/administrative costs, restructuring expenses and protected liquidity.

Illustrative central recoveries on US$9.5B claims before security-specific differences:

EBITDA	EV at 5x	Value after US$1B priority reserve	Approximate recovery
US$1.5B	US$7.5B	US$6.5B	68 cents
US$2.0B	US$10.0B	US$9.0B	95 cents
US$2.5B	US$12.5B	US$11.5B	Par plus equity
US$3.0B	US$15.0B	US$14.0B	Par plus equity
US$4.0B	US$20.0B	US$19.0B	Par plus substantial equity

RJ may impose a 15-25% process discount and multi-year delay. Liquidation is worse because integrated petrochemical assets have poor piecemeal value and large environmental, tax, labor and shutdown costs.

Verified leverage

- Temporary 60-day enforcement stay, not permanent protection.
- Certain instruments defaulted in July.
- June steering-committee response demanded positive-NPV compensation, shareholder burden-sharing, higher rather than lower coupons, diligence, expense reimbursement and Petrobras participation.
- July reported creditor alternatives included a convertible DIP potentially leaving controllers below 10% and an all-assets-collateral extension proposal.

Sources:

- June materials: https://www.sec.gov/Archives/edgar/data/1071438/000129281426003592/bak20260625_6k1.htm
- Q2 results: https://www.sec.gov/Archives/edgar/data/1071438/000129281426004248/bakpr2q26_6k.htm
- Stay: https://www.sec.gov/Archives/edgar/data/1071438/000129281426003614/bak20260626_6k.htm
- July proposals: https://www.publicnow.com/view/332733F9CB0C9FB30F65B5264ABC2DC2E65E5225

Hostile opening

- US$1.5B permanent shareholder capital: Petrobras US$750M, Shine US$500M, minorities up to US$250M with a sponsor backstop.
- US$750M creditor new money at SOFR +700bp, 3% OID and 5% backstop fee.
- Convert US$3B claims into 75% reorganized equity.
- Extend remaining debt five years; 4% cash/4% PIK through 2028 and 9% cash afterward.
- First/second liens, cash sweeps, four creditor directors and extensive veto rights.

This is an anchor, not necessarily the economic minimum.

Round 2 counter

- Permanent sponsor capital at least US$1.0-1.2B.
- Creditor new money US$500M.
- Avoid immediate conversion only if creditors receive 30-40% low-strike warrants/equity, positive-NPV coupons, collateral and strong cash sweeps.
- Reduce equity demand if sponsors inject more capital or prepay principal.

Economic minimum / likely clearing range

Persistent spreads and limited RJ recoveries justify moving below the hostile stated minimum if the total package is superior:

- Five-year extension for near/intermediate maturities; no need to extend 2041/2050 principal.
- 4% cash plus residual PIK for no more than two years.
- Existing weighted coupon plus 150-200bp afterward.
- 2% PIK consent fee and advisor expenses.

- Approximately US$1.0-1.2B total incremental WC/LC support.
- Petrobras approximately US$500-600M; IG4 US$250-300M; creditors US$200-300M.
- Creditor warrants **15-17.5%**, stepping to 22.5-25% if cash conversion, EBITDA, liquidity or PIK milestones fail.
- First lien for new money over A/R, inventory, accounts and proceeds; limited second lien for legacy debt.
- 50% excess-cash sweep above US$1.0B liquidity; 75% asset-sale sweep.
- No initial principal haircut or conversion.

Accept 15-20% warrants only if Petrobras/IG4 funding is deeply subordinated, PIK-only or convertible and cannot be repaid while creditor debt is impaired. If sponsor money is ordinary debt, demand at least 20-25% warrants or permanent equity.

Covenants

- Minimum liquidity US$1.0-1.25B.
- No dividends until leverage is below 3x.
- No material acquisitions, unrestricted investments, new liens/debt or related-party leakage.
- Monthly reporting, independent restructuring officer or equivalent oversight, and creditor board observer/finance seat while leverage exceeds 4x.
- Net-leverage milestones and warrant step-ups for failure.

Mexico and Alagoas

- Ring-fence Braskem Idesa; no additional parent guarantees or upstream priming.
- Preserve parent intercompany claims and require a standalone restructuring milestone.
- Keep Alagoas safety/remediation obligations outside the creditor compromise, but require transparent budgeting.

Why debt plus warrants can beat 70-90% equity

- At US$2.5B-plus EBITDA, reinstated debt can recover par while warrants preserve upside.
- Immediate equitization gives up priority and current yield.
- Displacing Petrobras and IG4 can reduce feedstock, political and turnaround value.
- A creditor-controlled listed Brazilian petrochemical group creates governance, securities, tax and political complexity.
- Debt plus warrants offers yield, priority and upside without forcing creditors to operate Braskem.

Walk-away condition

Prefer RJ if shareholders provide no meaningful risk-bearing support, coupons remain negative-NPV, collateral/cash controls are inadequate, or persistent spreads fail to translate into operating cash.

Part IV - Brazil political economy

The political layer changes execution probability and instrument choice, but it does not create a government guarantee.

Brazil political-economy context

Use this file as a common overlay for every negotiation agent. Public-information cutoff: **2026-08-16**. Separate verified facts from negotiation inferences; political support is not a legally enforceable guarantee.

Verified facts

- Brazil's 2026 general-election first round is **October 4**, with a possible second round on **October 25**. Party conventions ran from July 20 through August 5, so the Braskem negotiation is occurring during the active campaign.

- President Lula's Workers' Party confirmed his reelection bid. In May, Lula said Petrobras must consider Brazil's priorities, while also saying the government discusses priorities but does not command the company.

- Petrobras is state-controlled, but Law 13,303 subjects it to governance, transparency, risk-control and related-party standards. Nonmarket public-policy obligations require defined conditions and compensation; a political preference is not enough to justify an uneconomic Braskem rescue.

- Federal industrial policy is supportive of the chemical and petrochemical chain. REIQ reduces PIS/Cofins costs, while Law 15,294/2025 created PRESIQ for feedstocks including naphtha, ethane and propane, with competitiveness and investment objectives.

- Brazil has also used trade-defense measures in polyethylene. A provisional measure imposed antidumping duties on certain US and Canadian PE imports for up to six months. Treat this as evidence of policy direction and a scenario variable-not as a permanent protection assumption.

- Alagoas remains politically and legally live. In June 2026, Braskem and former executives became defendants in a federal proceeding related to the Maceio mining disaster. Braskem also continues to disclose administrative proceedings and socio-environmental obligations.

Negotiation implications - reasoned inferences

Election-year double bind

The federal government and Petrobras face two bad narratives:

1. **Bailout/privatized-gains narrative:** state-controlled Petrobras uses public-company capital to protect IG4 and legacy shareholders.

2. **Jobs/supply-chain/foreign-creditor narrative:** Petrobras allows a strategic Brazilian petrochemical producer to enter a disruptive RJ, threatening industrial employment, domestic supply and Brazilian influence.

The politically easiest path is therefore a **commercially documented, capped and shared solution**: secured working-capital support tied to profitable operations, creditor maturity relief, IG4 burden-sharing, and contingent creditor upside. An explicit Treasury bailout, open-ended Petrobras guarantee or Petrobras-only equity rescue is less likely.

Industrial policy supports going-concern value, not legacy equity

REIQ/PRESIQ and trade defense can improve Braskem's competitiveness and domestic pricing environment. They strengthen the case that the operating business is worth preserving and that creditors may recover more through a consensual extension than a disruptive RJ. They do **not** establish that the government will protect today's ownership percentages. Downstream plastics processors may oppose measures that raise resin costs, so agents must sensitivity-test these benefits.

Petrobras has political pressure and legal limits

Political pressure increases Petrobras's willingness to preserve continuity, Brazilian influence, feedstock demand and the industrial chain. Law 13,303 and minority-shareholder scrutiny increase the need for arm's-length economics, capped exposure, collateral, independent approvals and comparable IG4/creditor concessions. This favors WC/LC financing or a deeply subordinated instrument over an unconditional common-equity injection or guarantee.

Control is politically relevant but not legally protected

A sudden creditor takeover-especially one perceived as foreign-led-could bring political, labor, regulatory and reputational friction. That raises the execution cost of the hostile 70-90% creditor-equity proposal and modestly supports continued Petrobras/IG4 joint control. It is not a legal prohibition and should not be priced as a government backstop.

Alagoas constrains every rescue narrative

No party can credibly present a deal as protecting a national champion while appearing to subordinate victims, safety work or remediation to bondholders or shareholders. The most durable deal ring-fences budgeted Alagoas safety/remediation cash, preserves reporting and prevents dividends while leverage is high. Alagoas uncertainty also limits the value creditors should assign to unencumbered cash and makes a blanket Petrobras guarantee politically toxic.

Party-specific effects

Party	Political benefit	Political/legal constraint	Likely negotiating effect
Petrobras	Preserve jobs, feedstock chain, domestic capacity and Brazilian influence	Election-year bailout optics; Law 13,303; Petrobras minority investors	Capped, market-based WC/hybrid support only after creditor and IG4 burden-sharing
Braskem management	Industrial-policy support strengthens the going-concern case	Cannot use politics to protect controllers; Alagoas obligations remain	Argue against fire-sale equitization while accepting cash controls, remediation protections and dilution
IG4/Shine	Private turnaround partner can give government cover versus de facto nationalization	Politically weak case for public money protecting a distressed sponsor option	Must contribute real junior capital/backstop and accept warrants to retain control
Creditors	Government desire to avoid disruption increases consensual value	A creditor takeover/RJ may face execution, labor and political friction	Demand positive-NPV terms and sponsor capital, but accept debt-plus-warrants if it beats politically costly enforcement

Scenario adjustment

- **Base case:** election pressure increases the probability of a pre-election framework or standstill around a shared commercial rescue, but implementation may extend beyond the election. Keep the existing debt-plus-warrants base case.
- **Equity upside:** strong spreads plus visible cash conversion let Petrobras describe support as profitable WC financing; creditor warrant demand moves toward the low end of the range.
- **Creditor/RJ downside:** weak cash conversion, further Alagoas surprises, or inability to satisfy Petrobras governance tests prevents sponsor funding; creditors demand substantial conversion or choose RJ.
- **Political intervention tail:** additional feedstock, tax or trade-policy relief raises enterprise value, but unless legally committed it should not be capitalized at full value in creditor recovery or equity valuation.

Mandatory discipline for the rerun

1. Label every political conclusion as **verified fact**, **inference**, or **scenario assumption**.
2. Do not say Petrobras is ordered to rescue Braskem or that the federal government guarantees the company.
3. Do not treat REIQ/PRESIQ, antidumping duties or favorable feedstock terms as permanent without a current legal basis.
4. Compare the political optics of sponsor funding, RJ and creditor control alongside their economics.

5. Keep Alagoas victims, remediation and safety payments protected in every consensual case.

Sources

- TSE 2026 election calendar: https://www.tse.jus.br/comunicacao/noticias/2026/Marco/eleicoes-2026-confira-as-principais-datas-do-calendario-eleitoral

- Lula/Petrobras remarks (Reuters via UOL): https://economia.uol.com.br/noticias/reuters/2026/05/27/petrobras-tem-que-pensar-no-brasil-e-nao-apenas-em-si-enquanto-empresa-diz-lula.htm

- Lula candidacy confirmation (AP): https://apnews.com/article/22cccc3135b09e2186898dd3cb394ed4

- State-Owned Companies Law 13,303: https://planalto.gov.br/ccivil_03/_ato2015-2018/2016/lei/l13303.htm

- MDIC REIQ overview: https://www.gov.br/mdic/pt-br/assuntos/sdic/reiq/regime-especial-da-industria-quimica-reiq

- PRESIQ Law 15,294/2025: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15294.htm

- GECEX provisional PE antidumping decision: https://www.gov.br/mdic/pt-br/assuntos/camex/atas/gecex/2025/ata-da-228a-reuniao-ordinaria-do-gecex-de-2025.pdf

- Alagoas federal proceeding (Reuters via UOL): https://economia.uol.com.br/noticias/reuters/2026/06/16/braskem-desaba-cerca-de-14-e-toca-minima-desde-janeiro-com-decisao-de-justica-em-alagoas-no-radar.htm

- Braskem 2025 annual report: https://www.latibex.com/docs/Documentos/esp/hechosrelev/2026/20260327_Braskem_RA_2025_ENG.pdf

Part V - Evidence map and limitations

Evidence	Workspace location / source
June 25 cleansing materials	.context/june25shared.txt and .context/june25ocr/
Q2 earnings release	.context/q2release.txt
Q2 presentation	.context/q2pres.txt
Q2 interim statements	.context/q2itr.txt
Role memories	.context/agent-memory/*.md
Ownership	braskem-ri.com.br/en/the-company/ownership-structure/
SEC June 25 filing	sec.gov/Archives/edgar/data/1071438/000129281426003592/bak20260625_6k1.htm
SEC Q2 filing	sec.gov/Archives/edgar/data/1071438/000129281426004248/bakpr2q26_6k.htm
ADR deposit agreement	sec.gov/Archives/edgar/data/1201935/000101915516000799/braskemdepnrec.htm

Limitations

- No restructuring support agreement, capital-increase notice or final sponsor commitment had been publicly filed at the cutoff.
- The form and funded amount of the US$1.1B support package determine whether it reduces net debt; the leverage table therefore shows multiple treatments.
- The outcome probabilities are a judgmental overlay created for this report and were not empirical outputs of the saved mediator memory.
- The political conclusions are scenario analysis. They should not be treated as promises by Petrobras, the federal government, courts or regulators.
- ADR participation depends on transaction-specific US and Brazilian securities-law analysis, depositary procedures and broker capability.
- This is a restructuring simulation and not legal, tax or investment advice.

End of record

Prepared from the Codex workspace memories and public-source evidence through 16 August 2026.