



- ▶ *The Constantino family controls Gol Linhas Aereas Inteligentes SA, Brazil's largest airline by market share and its first low-cost carrier. Much of its bus-transport business is held under Comporte Participacoes SA.*
- ▶ *Constantino de Oliveira Sr (known as Nene Constantino), built one of Brazil's largest bus groups over the course of half a century, before co-founding Gol in 2001 with his four sons. Most of his children are surnamed Constantino.*
- ▶ *A distressed exchange offer targeting five of Gol's USD bonds this year received only 22% acceptance, leaving the company with USD 730m in bonds outstanding. Most of its USD 2bn in debt is dollar-denominated, and further efforts to restructure the bonds are expected.*

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## INTRODUCTION

The Constantino family emerged from relative obscurity after founding Gol, Brazil's first low-cost airline, in 2001. Ex-trucker Constantino de Oliveira Sr (Nene Constantino) started a bus-transport company in Minas Gerais state in the 1950s and by the time of Gol's founding, controlled one of Brazil's largest bus groups. The emergence of Gol, however, transformed the Constantinos from a little-known provincial clan in a notoriously rough industry into a high-profile and well-regarded family of entrepreneurs. Nene Constantino's four sons have all held key roles at Gol from the time of its founding (the youngest, Henrique, resigned from Gol's board this July after being implicated in the Lava Jato corruption investigation). They are also involved to varying degrees in the family's transport and other business, as are their three sisters. The family owns companies in real estate, agribusiness and other sectors, but on a smaller scale. Nene Constantino, who is no longer a shareholder or executive at the family's main companies, has been involved in several criminal cases.

While Gol has received some support from Brazilian Development Bank (BNDES) and Development Bank of Minas Gerais (BDMG), much of its financing has come from capital markets. It listed simultaneously in New York and Sao Paulo in 2004, and listed its frequent-flyer subsidiary Smiles SA domestically in 2013. Starting in 2007, Gol issued a series of USD bonds, which as of 30 September made up about USD 730m of its USD 2bn debt. It launched an exchange offer for five of its notes in May, as part of a broader effort to restructure debt and cut costs. The offer was poorly received and some bondholders accused the company of refusing to disclose sufficient information or hold meaningful discussions. Only 22% of outstanding notes were exchanged, and another effort to restructure appears likely.

SHAREHOLDER-RELATED RISK		
<b>Succession Risk</b> Risk associated with generational transfer of wealth and management	Low	Ownership and management of the family's companies are in the hands of the second generation, most of whom are in their 40s and 50s. Patriarch Nene Constantino is no longer a shareholder or executive at Gol or Comporte.
<b>Political Risk</b> Political exposure due to government relationships	Moderate	While the Constantino family is not closely allied with a political party, its involvement in the Lava Jato investigation—which has a strong political component—puts it at risk of becoming further implicated in corruption scandals.
<b>Legal and Regulatory Risk</b> Risk associated with lawsuits, prosecution and regulatory sanctions	Moderate	Most of the family's legal problems have not been related to Gol. However, recent reports have claimed the Gol was involved in bribery related to jailed former congress speaker Eduardo Cunha. Gol could also be affected indirectly by legal issues at companies with which it shares key shareholders and executives.
<b>Transparency Risk</b> Risk due to opaque corporate ownership and offshore holding structures	Moderate	The shareholding of Gol is transparent, but the structure and ownership of the family's private companies are opaque and the scale of its business is unclear.
<b>Governance Risk</b> Risk associated with corporate governance, fraud and corruption	Moderate	Gol has not had significant governance-related controversy, but the company is young and facing its first major crisis. A key question is whether the brothers who run Gol share their father's proclivity for confrontation and controversy.
<b>Expansion Risk</b> Risk created by business growth and diversification	Moderate	The family's business remains largely focused on Gol and its bus companies, but its attempts to diversity may be sources of risk. The family's involvement in the Lava Jato scandal appears to stem from efforts to finance its relatively new highway-concession business.
<b>Credit History Risk</b> Credit risk related to shareholder history	High	While the family's main companies do not have a history of default or bankruptcy, Gol's controversial exchange offer this year suggests a confrontational approach to foreign creditors and an expectation of significant concessions.

Ratings indicate the probability of business disruption or loss of investment value. High = over 50% or already occurring; Low = not of concern in the foreseeable future

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## TIMELINE

**1950s** Constantino de Oliveira Sr (Nene Constantino), a long-haul trucker, founds his first bus company in Minas Gerais state. Over the next decades he builds one of Brazil's largest bus groups, and ventures into real estate and agribusiness. Much of the family's transport business is now under privately-held Comporte Participacoes, formerly known as Grupo Aurea.

**1990s** Nene Constantino and his sons begin preparations for the formation of Gol during a period of privatization and deregulation under the administration of President Fernando Henrique Cardoso (in office 1995-2002). At the time, Brazil's established airlines were facing financial difficulty and several eventually failed.

**2001** Gol, Brazil's first low-cost airline, begins operations with six Boeing 737s. Many crew and executives come from airlines that failed around the same time.

**2001** Comporte Participacoes SA is created as a holding company for the family's bus business, but many of its operating companies inside and outside of Comporte retain complex shareholding structures involving various partners including extended family members.

**2004** Gol raises USD 202m through a dual IPO on the Sao Paulo and New York Stock Exchanges.

**2006** A Gol flight crashes in Brazil after a mid-air collision, killing 154 people.

**2007** Gol acquires assets of VRG Linhas Aereas (formerly flag-carrier Varig) for USD 320m. VRG Linhas Aereas is now Gol's main operating company.

**2009** Nene Constantino is placed under house arrest after being accused of ordering killings in 2001. He steps down as chairman and director of Gol and is replaced by former Citibank executive Alvaro de Souza, who is replaced in 2012 by Constantino de Oliveira Jr.

**2009** Via Rondon, part of the Constantino family-linked BRVias group, obtains a concession to manage a section of the Marechal Rondon highway in Sao Paulo state.

**2012** Nene Constantino is arrested for the attempted murder of his ex-son-in-law Eduardo Queiroz Alves. Earlier, police had also accused Constantino of ordering the killing of another son-in-law, Basilio Torres Neto.

**2011** Delta acquires a 3% stake in Gol for USD 100m. Gol acquires low-cost carrier WebJet for BRL 96m.

**2013** Smiles SA, Gol's frequent-flyer program, raises BRL 1.13bn in its Sao Paulo IPO.

**2014** Air France KLM acquires a 1.5% stake in Gol for USD 52m as part of a strategic-partnership deal.

**2015** Nene Constantino is acquitted of the attempted murder of his son-on-law Eduardo Queiroz Alves, but the earlier murder trial remains unresolved. The same year, Constantino is convicted of administrative improbity by a Federal District court, together with the mayor he was accused of having bribed.

**2015** Consorcio BR Mobilidade Baixada Santista (involving Comporte Participacoes and Viacao Piracicabana) obtains a concession for inter-city light rail and bus lines in Sao Paulo state.

**2015** Gol receives an USD 300m unsecured term loan guaranteed by Delta, with Delta's guarantee backed by Gol's shares in Smiles. Family holding company Volluto injects BRL 283.9m in equity. Delta injects BRL 177.3m and increases its stake in Gol to 9.5%.

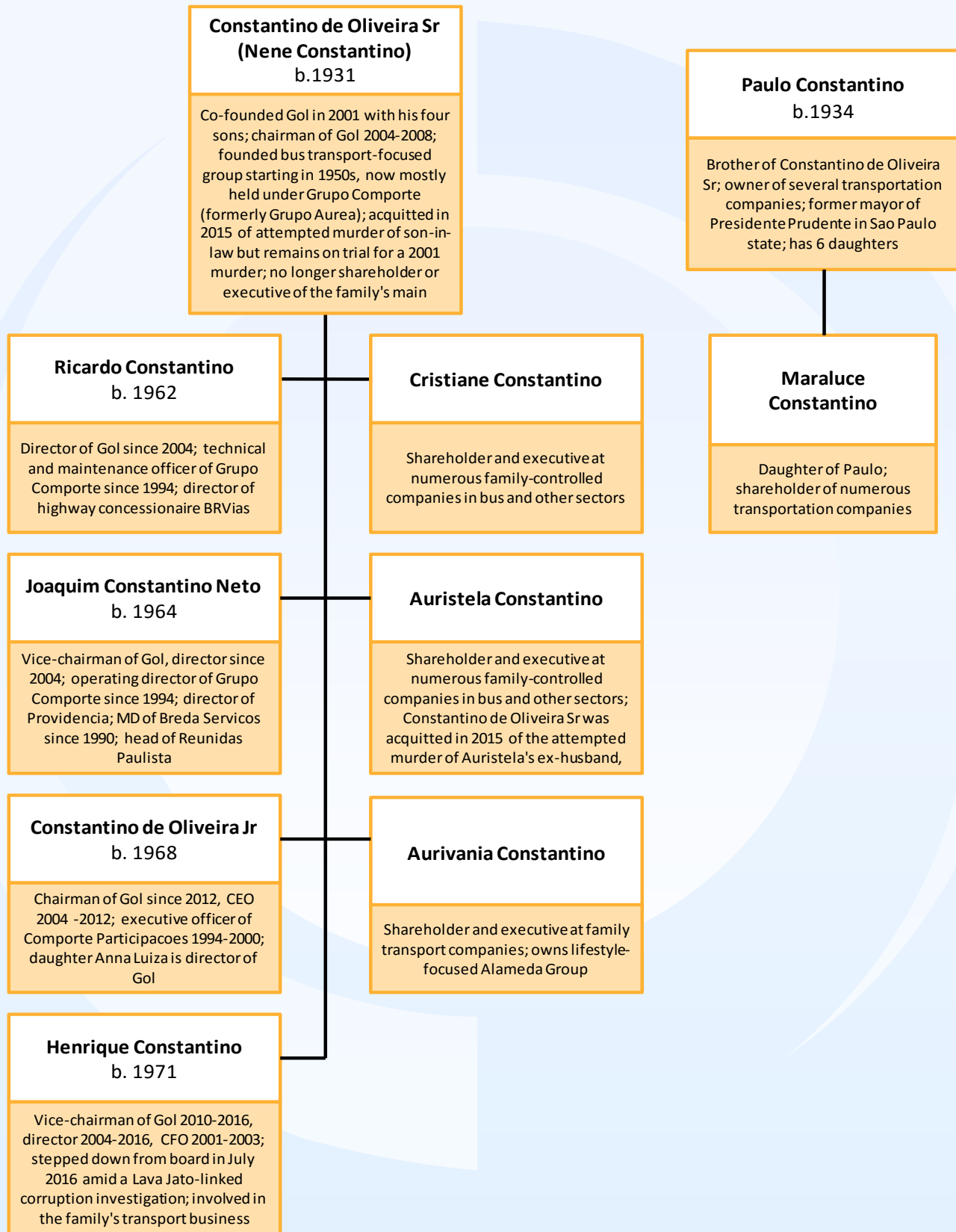
**2016** Gol appoints PJT Partners to advise on debt restructuring and launches a bond exchange offer that is rejected by an ad hoc bondholder group, and eventually receives 22% acceptance after amendments, addition of collateral and reduction of haircuts. Gol returns five leased aircraft and sells rights to three deliveries from Boeing as part of an ongoing fleet-reduction plan in response to falling demand.

**2016** Gol reschedules BRL 1.05bn in domestic debentures held by Banco do Brasil and Bradesco.

*Source: Debtwire, corporate disclosures, press reports*



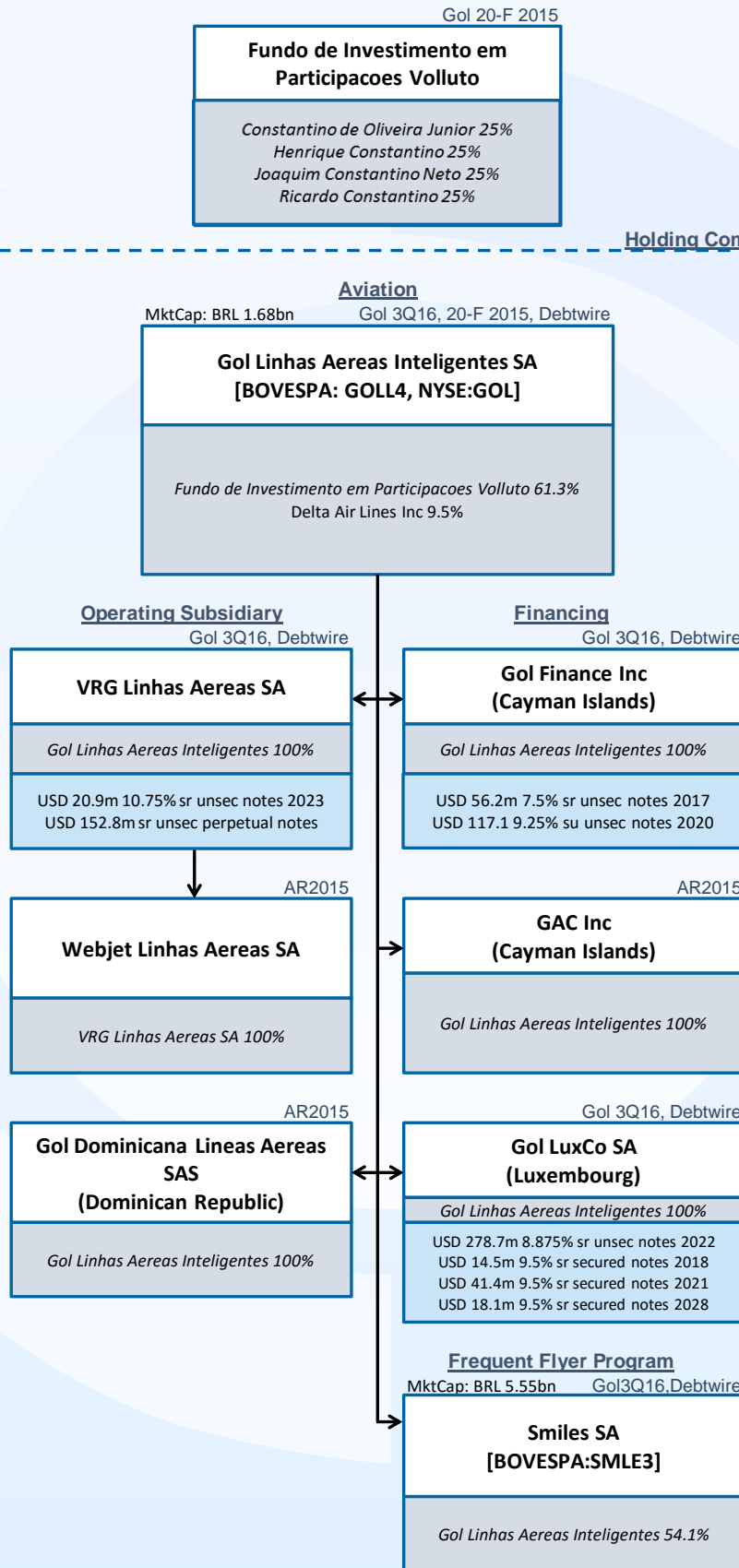
**FAMILY MEMBERS**



*Note: This chart is based on public information and is not intended to be comprehensive. It includes individuals relevant to the family business.*



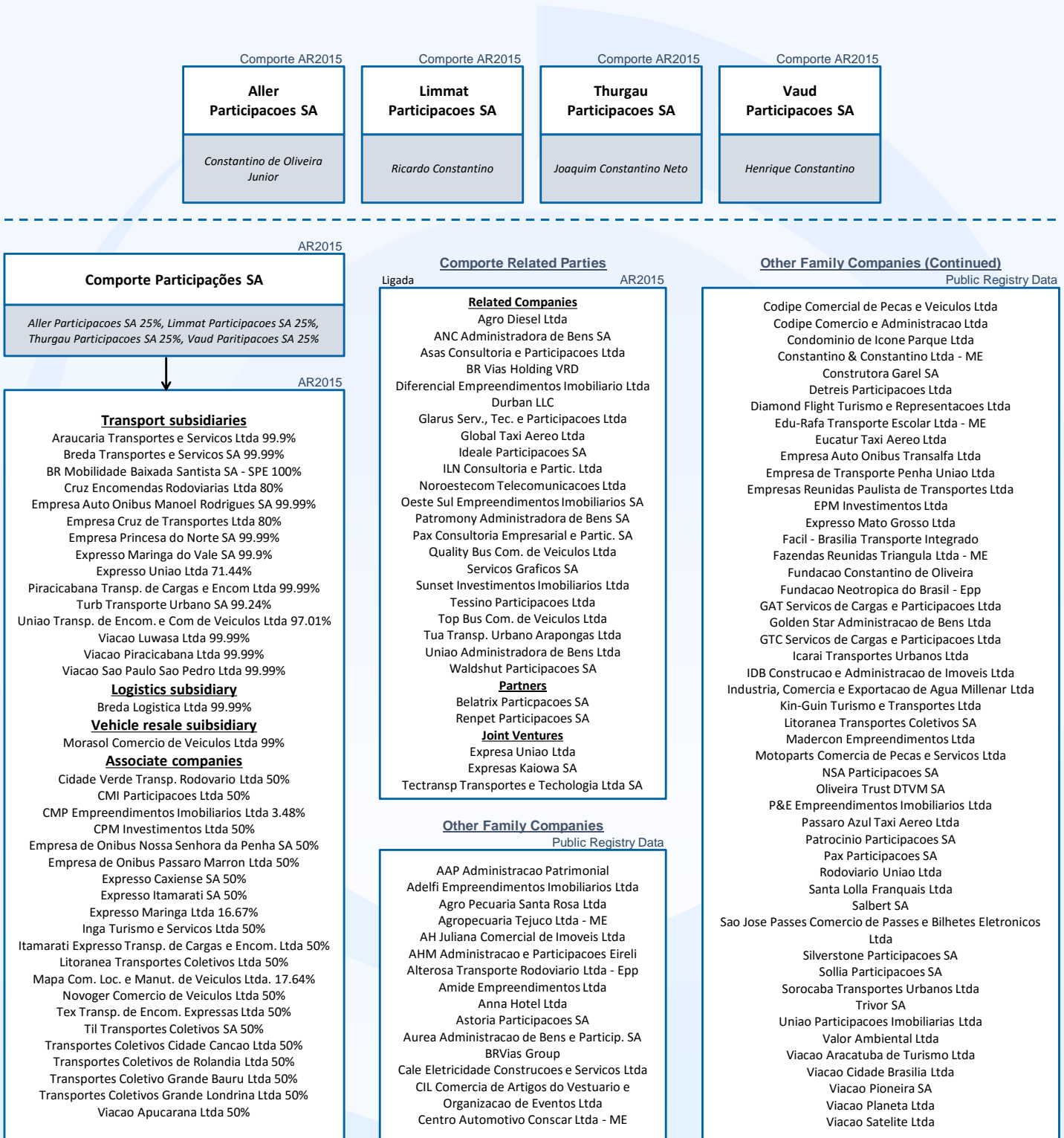
**CORPORATE STRUCTURE**



*Note: This chart is based on public information. It contains key family companies but is not intended to be comprehensive. Shareholders and USD-denominated bonds are indicated, with family members and family companies in italics. Companies are domiciled in Brazil unless otherwise noted.*



CORPORATE STRUCTURE



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**AFFILIATIONS**

**Relationships with individuals and institutions that may have an impact on the family's business**

<b>Brazilian Development Bank (BNDES)</b>	Brazilian Development Bank (BNDES) has been a lender to Gol, as has the Development Bank of Minas Gerais. However, Gol has relied on government-owned banks less than many other Brazilian business groups.
<b>Fabio Cleto</b>	Fabio Cleto, a former VP of state-owned bank Caixa Economica Federal, said in a plea bargain that companies connected to Henrique Constantino, including highway concession-holder BRVias, had been involved in bribery in exchange for loans.
<b>Delta Air Lines Inc</b>	Delta holds a 9.5% stake in Gol, and in 2015 guaranteed a USD 300m loan to Gol LuxCo arranged by Morgan Stanley.
<b>Eduardo Cunha</b>	Eduardo Cunha, the former speaker of Brazil's Congress, was arrested in October 2016 on corruption charges. Gol allegedly paid bribes to Cunha by overpaying for advertisements on websites that he owned, Folha de S. Paulo reported, citing advertising industry sources. Gol was cited as saying it was conducting an internal audit related to the allegations.
<b>Joaquim Roriz</b>	Joaquim Roriz, the governor of Brazil's Federal District from 1988 to 2006, was accused of favouring Constantino-family companies in exchange for bribes, according to press reports. He became a senator in 2007 but resigned amid a scandal related to an alleged bribe by Nene Constantino. Both were convicted of administrative improbity related to the bribe.

**RISK FACTORS**

**Legal issues, controversies, conflicts and other difficulties that may affect the family's business**

<b>Lava Jato corruption investigation (2016)</b>	Highway concession-holder Via Rondon (part of BRVias group), of which Henrique Constantino was a director and shareholder, was investigated this year for allegedly paying bribes in exchange for loans from state-owned Caixa Economica Federal, Folha de S. Paulo reported. Henrique's home was raided by federal police in July, according to press reports. Via Rondon had been named in a plea bargain by former Caixa VP Fabio Cleto, a suspect in the Lava Jato investigation of corruption related to Petrobras contracts. In October, Folha de S. Paulo reported that Gol had allegedly paid bribes to now-jailed ex-congressional speaker Eduardo Cunha, a central suspect in the investigation. Henrique stepped down from the board of Gol in July, but has not been formally accused by authorities of wrongdoing. His seat on Gol's board was taken by Anna Constantino, the daughter of Constantino de Oliveira Jr.
<b>Deloitte audit investigation (2016)</b>	The Brazilian arm of Deloitte was fined by US regulators in December 2016 in relation to its audit of Gol's 2010 financials, according to press reports. Deloitte was found to have altered documents to conceal insufficient documentation related to maintenance deposits, and was found to have signed off the financial statements' accuracy despite knowing that the accounts were under review for possible material misstatements, the Financial Times reported on 5 December. Gol, which has not been accused of wrongdoing, said that it did not benefit from Deloitte's actions.
<b>Bond exchange offer (2016)</b>	An exchange offer by Gol for its USD bonds, launched in May 2016 as part of an out-of-court restructuring, closed in July with 22% acceptance. An ad hoc group holding approximately 25% of outstanding notes issued an announcement rejecting the offer and urging others to do the same. The group accused Gol of providing insufficient financial and operational information, and of rejecting requests for "meaningful discussions." On 16 May, Gol announced that new notes issued in the exchange would be guaranteed by spare parts valued at roughly USD 233m. In June, the company issued a revised offer reducing proposed haircuts (from 35% to 27.5%-30% for the 2017 notes, from 70% to 44.9%-55% for the 2020, 2022 and 2023 bonds, and from 75% to 55.3%-65% for the perpetual notes), and said it had gathered bondholder feedback but that the revised offer had not been negotiated and was non-negotiable.
<b>Federal District bus cartel investigation (2013-present)</b>	Some of the family's companies, including Comporte, have been under investigation since 2013 by the Federal Public Ministry of Parana on suspicion of concealing relationships among Constantino family-owned mass-transit companies in order to acquire a larger share of Federal District contracts than allowed by law, according to Valor Economico. While no business group is legally permitted to control more than 25% of bus business in an urban area, the Constantino family was accused of controlling as much as 50% in the Federal District, O Estado de S. Paulo reported in 2013. Comporte's offices were raided in July 2016 as part of "Operation Rickshaw," with Joaquim Constantino named as a subject of the investigation, Valor Economico reported, citing Parana federal officials. The article cited Henrique as denying the Comporte was targeted in the investigation, and saying it was inaccurate to classify all Constantino family-connected bus companies – which include companies founded by his father's four brothers and run by their descendants – as a single business group. According to a 2007 article in Folha de S. Paulo, Constantino family companies had been accused of receiving preferential treatment in transport contracts from Joaquim Roriz, the former governor of the Federal District.
<b>Federal District bribery case (2007-2015)</b>	Joaquim Roriz, who was governor of Brazil's Federal District from 1988 to 2006 before becoming a senator, resigned from the senate in July 2007 amid a scandal in which he was accused of receiving a bribe from Nene Constantino, according to press reports. Federal police recorded a phone conversation between Roriz and former Bank of Brasilia president Tarcisio Franklin de Moura, in which they discussed sharing a BRL 2.2m check from Constantino. Roriz, a member of the Brazilian Democratic Movement Party (PMDB), denied the allegations. The payment was allegedly related to a deal involving Constantino's real estate ventures in Brasilia, which was the subject of a federal police investigation called Bezerra de Ouro (Golden Calf). In 2015, a Federal District court convicted Roriz and Constantino of administrative improbity in relation to the case.
<b>Nene Constantino murder trials</b>	Nene Constantino was arrested in 2010 for the attempted murder in 2008 of his former son-in-law, Eduardo Queiroz Alves, over a management dispute, according to press reports. In He was acquitted by a jury in Brasilia in June 2015. In a separate case, Nene Constantino was accused of ordering the murder in 2001 of Marcio Leonardo de Sousa Brito, a the leader of a squatter group occupying land owned by the Constantino family. The alleged hit man, a former employee of Oliveira named Joao Marques dos Santos, confessed and told prosecutors and that he had carried out eight murders on Oliveira's orders. In 2011, while the trial was under way, Santos was shot and Oliveira placed under house arrest. Santos also claimed that Constantino had ordered him to kill another of his sons-in-law, Basilio Torres Neto, according to press reports. The murder case remains open, and there do not appear to have been recent developments.



**NEWS**

Date	Headline
25 Nov 2016	<a href="#">Brazilian domestic airline demand drops 5.1% YoY in October</a>
15 Nov 2016	<a href="#">Gol's October domestic demand down 3.5% YoY</a>
07 Nov 2016	<a href="#">Gol counting on fleet reduction and operational gains to reduce leverage levels – CFO</a>
04 Nov 2016	<a href="#">Brazilian Airlines: domestic demand drops 4.9% YoY in September</a>
28 Oct 2016	<a href="#">Gol allegedly disguised bribes by paying inflated prices to advertise on former Lower House speaker's website (translated)</a>
21 Oct 2016	<a href="#">Gol commences internal investigation on expenditures from 2012 to 2013</a>
20 Oct 2016	<a href="#">Gol ex-board member investigated for paying bribes to Brazil's former Lower House speaker (translated)</a>
17 Oct 2016	<a href="#">Gol's September domestic demand increases 1.8% YoY</a>
27 Sep 2016	<a href="#">Brazilian domestic airline demand drops 5.7% YoY in August</a>
19 Sep 2016	<a href="#">Gol Linhas Aereas, Vale and JBS among companies affected by Brazil's decision to add Ireland and Austria to its tax haven list</a>
15 Sep 2016	<a href="#">Gol's August domestic demand drops 2.7% YoY</a>
02 Sep 2016	<a href="#">Gol subsidiary to terminate lease agreements early amid fleet rationalization</a>
22 Aug 2016	<a href="#">Gol considering cargo division spin-off - reported rumor (translated)</a>
16 Aug 2016	<a href="#">Gol CEO says studying 'creative' solutions for USD debt reduction; no new talks with bondholders</a>
12 Aug 2016	<a href="#">Gol's July domestic demand drops 6.8% YoY</a>
11 Aug 2016	<a href="#">Gol granted amortization profile relief from Bradesco, Banco do Brasil</a>
06 Aug 2016	<a href="#">Gol bondholders see opening for negotiation following management change</a>
30 Jul 2016	<a href="#">GOL's IDRs upgraded to 'CC' - Fitch</a>
29 Jul 2016	<a href="#">Gol Linhas Aereas announces management reorganization; Richard Lark appointed as new CFO</a>
23 Jun 2016	<a href="#">Gol bondholders sceptical about offer acceptance increase</a>
21 Jun 2016	<a href="#">Gol hires JPMorgan to help with debt-exchange offer - report</a>
21 Jun 2016	<a href="#">Gol's improved exchange offer was not negotiated, remains non-negotiable – CFO</a>
20 Jun 2016	<a href="#">Gol announces extension and amendment of exchange offers for its senior unsecured notes</a>
10 Jun 2016	<a href="#">Gol seen heading for bondholder negotiations as low exchange offer interest continues</a>
16 May 2016	<a href="#">Gol pledges USD 223m in spare parts to guarantee new notes in exchange offer</a>
12 May 2016	<a href="#">Gol's bond exchange offer is not negotiable - CEO</a>
06 May 2016	<a href="#">Gol bondholder group rejects Gol's proposed exchange offer</a>

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